NATIONAL BUSINESS REVIEW

60 cents

Volume 9 No. 22 (Issue 339) June 20, 1979

Comalco scraps expansion despite worldwide shortage

by John Draper

COMALCO has scrapped plans to expand production at the Bluff smelter despite a worldwide shortage of aluminium.

High electricity charges, renegotiated by the Government in 1977, plus the latest rise in bulk tariff rates are pricing New Zealand out of the market.

Aluminium producers are forecasting a shortfall in world production, beginning this year with an unsatisfied demand for 400,000 tonnes.

By 1988, sources are predicting the shortage will have grown to 5.8 million tonnes with a resultant effect on prices.

Since last September, the Alcan list price for 99.5 per cent pure aluminium, the unofficial world price, has risen from US$1235 a tonne to US$1490 a tonne. Spot prices have hit $1800 a tonne.

Across the Tasman, two existing smelters are being expanded and five new plants are planned to be in operation by 1985.

Before the Government renegotiated Comalco's power contract in 1977, adding $14.83 million to the smelter's electricity bill, the consortium had plans to increase production from the present 151,000 tonnes to 225,000 tonnes.

On the assumption that the expansion would go ahead as planned, Comalco and its two Japanese partners, pre-invested $17 million at Bluff in much of the groundwork necessary to boost production.

Under the old agreement Comalco had the option on another block of cheap power at the original contract price providing it gave the Government notice before 1981.

But that concession was lost with the renegotiated contract.

Now Comalco must reach a new agreement with the Government for any extra power it might need.

And the company's New Zealand manager, Mervyn Bennett, doubts if an attractive package could be negotiated.

"In the good old days we had the right to an extra block of Manapouri power. There were incentives and inducements to expand as quickly as possible."

If Comalco had not taken up its full power entitlement by 1986 it would have been penalised by the loss of tax concessions given as inducements to set up at Tiwai Point.

Bennett says the incentives given by the industry agreement have also been lost as result of the renegotiated power contract which increased the base rate by 450 per cent.

Expansion would have been automatic once the Government had received notice that the company wanted the extra power, though that point had not been reached in 1977.

"Under the new agreement any power for expansion may be supplied on terms and conditions to be agreed on at the time when it is needed," Bennett said.

Since then, the Government has upped bulk electricity charges by 60 per cent but Comalco is protected from the full increase by a complicated formula which includes world aluminium prices.

"When the increase comes into effect we will be paying more than at our Tasmanian and Gladstone smelters which run on thermal electricity," he said.

In Australia, power accounts for about 40 per cent of the market price.

Bennett says the power content of Bluff aluminium is slightly higher — but not as high as the cost of new power blocks offered to smelters in the United States.

Power is being offered there at twice the Australian price which in turn is 50 per cent higher on average than that offered by South East Asian countries.

A new smelter planned in Victoria by Alcoa will burn brown coal, producing power at between 1.2 cents and 1.5 cents a kilowatt hour, slightly less than Manapouri hydro power.

Rising oil prices making Manapouri power seem ridiculously cheap, were behind the Government's move to increase Comalco's charges.

And, Bennett says, that attitude is going to stop the expansion of the country's biggest single manufactured export earner.

"It is going to take a decrease in power charges in New Zealand to make us reconsider our decision," he said.

The company has also committed itself to a heavy capital investment programme at Gladstone in Queensland.

"The New Zealand Government must realise that there is not much logic in tying electricity prices to the incremental price of a barrel of oil before we reconsider," Bennett said.

"New Zealand has one of the richest sources of renewable energy in the world," he said.

"But water is being spilled over the dams in the South Island.

"It makes me very sad," Bennett said.

Inside:

Exporters climb on Banz wagon

by John Draper

EXPORTERS will tell the Government this week how the country's 49 per cent stake in the Bahrein and New Zealand Trading and Storage Company, Banz, should be distributed.

Nearly two years have passed since the Government first announced its intention for private enterprise to hold shares in the project.

But only recently have exporters, and the Auckland branch of the Export Institute in particular, been asked for their views.

The Government has applied to the Companies Office for permission to register a holding firm, Banz New Zealand Ltd to control the $2 million shareholding in the project presently held by the Export-Import Corporation.

The Government has told exporters it would like the corporation to retain a sufficient percentage in the holding company to guarantee that one of its nominees will be a director of Banz.

One other director will be appointed by the holding company to join the three Bahreini's on the board.

Auckland Export Institute members meet today, June 20, to discuss the Government's proposals which are understood to include a scheme whereby all those trading with Banz or using its storage facilities will become shareholders.

Export Institute members in the rest of the country are also expected to discuss the proposals soon, so the holding company can be formed before the year ends. The public is unlikely to be offered a share directly.

Banz began trading in a small way on May 1. The coolstore, which is expected to be the main attraction for meat and dairy exporters, will be finished on September 30 and officially opened by the Prime Minister, Rob Muldoon on October 11.

A dry goods store should be finished shortly afterward.

In the longer-term, 12 warehouses and coolstores will be built on the 10 hectare site in Bahrein, the commercial centre of the Arabian Gulf.

In its first year, the complex is expected to handle up to 40,000 tonnes of goods, rising to 65,000 tonnes by year five.

The general manager of the main company will be Robin Hitchcock, an Englishman with seven years experience in Saudi Arabia as the representative of tobacco giant Carerras Rothman and their main distribution agent.

Banz will trade in its own right as well as offering exporters storage facilities. Hitchcock estimates that 40 per cent of revenue in the first few years will come from trading.

"We are looking to buy New Zealand produce and expect at least 49 per cent to originate from there," he said.

"If that is not successful we shall look elsewhere."

Though not all exporters are in favour of the project, Hitchcock says there is a lot of enthusiasm amongst those he is meeting while in New Zealand.

"Already one manufacturer has signed up to use the storage facility and is also going to use Banz as an agent for supplying some markets."

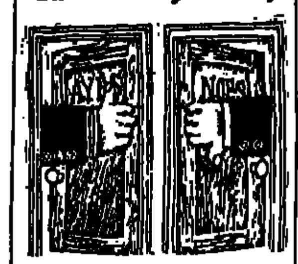
The Banz concept is already catching on internationally. The Australian Government is understood to be examining a similar link with Oman at the entrance to the Gulf.

Registered at Post Office Headquarters as a newspaper
Incorporating Admark

Economic wizard turns to Houdini for pointer

by Colin James

Six-monthly Survey



POLITICS

THE Prime Minister has said that this week's Budget has been the most difficult he has prepared. After six Budgets, from 1967 to 1972 and another three since 1975, that is a telling statement.

I, for one, believe him. In a way that no other Budget has done for at least a decade, the contributing factors in this Budget sum up the politics of the past six months.

The Labour Party's reshaping and reimaging of itself can not be ignored. The rebuke to the MPs (who have themselves looked a brighter bunch this year), the assumption by the larger membership of more say (symbolised by the election of Jim Anderton to the presidency) and the improving relationship at all levels with the trade unions, all point to an improved election machine in 1981.

But the great debate of the past six months has centred on economic management. Non-stop since the election, many people of varying political hues who used to be the Prime Minister's friends, have been offering him radical advice.

The Prime Minister — who, one of his colleagues said to me this month, sometimes does not even seem to see as far as the next Budget, let alone into the middle distance — has been pressed by advisers and "supporters" right up to Cabinet level, to lay down principles of economic management for the decade ahead.

One can see why this is his most difficult Budget.

How does he reduce the internal deficit, with capital spending already at rock bottom and with political commitments to preserving national superannuation intact and holding income tax? By raising indirect taxes?

How much longer can he go on financing internal consumption with external loans, with agricultural prices relatively high at the moment, a possible severe oil price crisis looming and European bankers beginning to think we are getting close to our borrowing limit?

Even if this were a standing-still Budget, there would have been some tough decisions.

But the Prime Minister's own rhetoric has committed him — having now come to the end of three years of "looking back" Budgets supposed to clean up the Labour Government's mess — to a "looking forward" Budget.

Unfortunately, for a Prime Minister who wants to be both leader of his party and head of his party's Government in 1982, the way ahead is across a dark and murky bog. To stay on his feet the self-proclaimed Fred Astaire of economic wizardry may need to turn Houdini.

At several levels he must reconcile the irreconcilable.

At one level he must avoid fraying any part of the National Party's fragile voting fabric to such an extent that it cannot be stitched back together in 1981.

If farmers, business interests, the liberal professionals, the blue rinse brigade, or the blue collar converts who held the city marginals for National in 1978, decide this Budget is pointing in the wrong direction, unseemly holes may start appearing in the fabric.

The Prime Minister has made, and is still making, a virtue out of his Government's kindness to pensioners and determination that the wage workers should not suffer disproportionately from economic policy.

But the obverse side of that coin is the face of Bruce Beetham in the parliamentary chamber. The abstentions in places like Remuera and the defections to Social Credit in places like Rangitikei were a warning to the Government that it should remember who its real friends are.

Generosity with the cake is all very well when times are good, but times are no longer good.

Given the difficulty of seeing his way through that problem 2½ years out from the election, the temptation must have been strong for the Prime Minister to do as little as possible till visibility improved.

Unfortunately, this conflicts with the way his party outside the House sees it.

In uncertain times, doctrine and dogma have a comforting appeal. If you cannot see the safe path across the bog, concentrate on the way you place your feet. That at least gives the semblance of certainty.

So, in meetings from branch to regional level, the party has been rediscovering and reaffirming its basic principles. At the top level this mood shows in a gaping chasm between president George Chapman and the Prime Minister.

Unless this Budget lights a road ahead aglow with those principles, the price may be paid in numbers of party members leaving or becoming inactive.

Older hands in the parliamentary party and Cabinet say they have heard all this before. They talk about the current unrest as if it were a virus that attacks the body-National every time there is an election reverse.

Younger hands say that even if this is so, the illness has never reached such a fever before. Rural MPs say it is hard to raise party money from farmers this year.

Thus, the back-to-basics mood has been reflected in the National Party MPs' caucus.

The backbenchers have been behaving this year rather demanded. The caucus has been behaving this year rather like a loyal opposition. Departments and ministers wheeling up their latest regulation, legislation or pet scheme for ritual approval have been give some rude shocks.

Some ministers have told me that unless they and their officials can first persuade sceptical caucus committees to back proposals, their chance of fruition is dim.

In such circumstances, were the Prime Minister a quicksilver Harold Wilson or Lloyd George or even a flexible Keith Holyoake, he might opt for enlistment in the free market ranks.

He would thereby, after all, be doing no more than a chorus of economists has been demanding (though why economists should necessarily be right in this great economic upheaval of the western world when their predecessors were almost universally wrong in the last great upheaval in the 1930s has yet to be cogently demonstrated).

But even a decision to go with the party has difficulties.

I find there are almost as many variations of the private enterprise-individual initiative belief in the National Party there are of "democratic socialism" in the Labour Party. They range from yearnings for the full-blown market-based economy-based on a flexible exchange rate to peripheral tinkering with licensing systems and social welfare.

Example: Farmers demanding a freer economy berate the Government for being too socialistic, yet, in applauding Social Credit's low interest policy, are essentially complaining that in the very area where the Government has let the market rule, it is not being socialistic enough.

The party is riddled with these contradictions. Hands up for freer import competition: farmers and retailers. Hands up against: manufacturers — and farmers who know what synthetic carpets would do to the important New Zealand carpet wool industry.

For delicensing the transport industry: lawyers and accountants (who sometimes seem to be the party in the towns) join the farmers. For delicensing the legal and accounting industries: the free market professionals melt.

The party catcalls of the past six months are fine when they are left as generalised slogans. But a Prime Minister has to reconcile the irreconcilable claims of conflicting interests.

And to complicate matters, any shift to a freer market will provoke hostile knee-jerk reactions from the union movement. The Prime Minister seems to have figured he needs the movement's co-operation if he is successfully to introduce wage-restraining new pay-fixing methods — a precondition, some think for radical economic change.

It becomes understandable that the Prime Minister, who wants to be Prime Minister in 1982, has been talking of fancy footwork rather than bold long-term goals.

The complication for this apparently compelling argument for the status quo is that his colleagues in the caucus and to some extent in the Cabinet do not share his view from the political crossroads.

They can contemplate life without him as leader (though I have heard of no plans to do without him); they can even contemplate, though without enthusiasm, a loss in 1981 without the end of their political careers being a necessary result.

They have therefore more scope for bold long-term thinking, even if it is at the cost of short-term popularity.

Last year general director Barrie Leay, advertising whizkid Mike Wall and Cabinet middleweight Hugh Templeton, tried unsuccessfully to get the Prime Minister to base the election campaign on a strategy for the 1980s.

Templeton is one of a small group of ministers — including Derek Quigley, Warren Cooper and Jim McLay — who have carried that fight into the Cabinet room this year.

Some successes have been claimed for them. The question which will hang over Budget night on Thursday, is whether enough of the party will deem them enough.

Page 6
Good news for the out-of-towner
SPT 3

Success stirs farmers into fragile confidence

by John Draper

Six-monthly Survey

PRIMARY INDUSTRY

HIGH prices and a good season are stirring confidence down on the farm.

Confidence has been sadly lacking through much of the last decade reflected in almost nil investment and declining output.

Now there are signs of growth creeping across the countryside. As yet, the increases are small — both in investment and stock numbers — and could be easily killed off by an ill wind.

The Budget is crucial. Farming leaders are looking to it as a statement of the Government's intention to restructure the economy, eliminating the cost-plus dogma sending domestic costs soaring.

If the Government fails the farmers, then the extra money flowing from record beef prices, strong wool sales and good mutton prices will almost certainly be spent on a holiday overseas or a new car.

The supplementary minimum prices scheme introduced in last year's Budget along with the livestock incentive and development schemes, has helped to foster confidence.

Dairy farmers benefited most from the minimum price scheme, receiving around $15 million. A good autumn has helped to raise dairy production to within 1 per cent of the 1976 record.

Ironically, it is dairy products which are the farming sector's main problem. There is still uncertainty over the Common Market's attitudes to New Zealand butter and cheese.

Common Market Farm Commissioner, Olav Gunderlach, could offer little hope other than in "third" markets where New Zealand products are often unable to compete against heavily subsidised European exports.

Token cheese exports, around 9500 tonnes, less than a tenth of the qantity at the beginning of the decade, will be allowed into Britain next year.

The Dairy Board, which is already offsetting losses on the sale of skim milk powder and casein against the declining profits on butter and cheese exports, is not optimistic about producing a surplus in the current financial year.

The supplementary minimum scheme has another year to run before the more permanent solution hinted at in last year's Budget is introduced. Budget tipsters are forecasting a year's extension to allow further debate.

The Government is proposing to underwrite the producer board's own price smoothing schemes. Farmers, though it is not yet their federation's view, favour direct payments from Government. Federated Farmers annual conference next month will debate the issue and decide which solution it favours.

Beef producers are losing out to the tune of $14.4 million skimmed from the record prices in the United States.

The world beef cycle is at the low production high price stage and prices peaked at 310 cents a kilo in New York for manufacturing beef in April, more than 85 cents up on last year's top price.

Prices have eased back a shade due partly to consumer resistance, and the Meat Board suspects over-reaction by the trade to the shortage early in the season sending prices higher than could be justified.

High beef prices have been reflected in a strong demand for mutton, particularly from Russia which in turn forced the Japanese and Koreans to pay more.

During May, the demand sent prices up beyond the trigger allowing the Meat Board to skim off $500,000. The board's stabilisation fund now stands at around $21 million.

Striking British truck drivers are responsible for what otherwise might have been a good year for lamb.

Large stocks built up in London during the long strike, forcing prices down. On the plus side, a trouble-free season at the freezing works allowed other European seasonal markets to be well supplied.

Wool prices bounced from below the Government-backed minimum price, to beyond the Wool Board's trigger price and a strong demand was evident at the later auctions.

Farmers who sold their livestock and wool late in the season undoubtedly got the better prices.

Next season is almost certain to start with good prices. But, apart from beef and lamb — which is bound to be buoyant if the Iranians buy the 50,000 tonnes they claim they need — prospects are uncertain.

Mutton prices will again depend on the Russian's requirements and wool prices may fade after a bright opening due to strong world-wide inflationary pressures.

There should be more cash flowing around the farming sector and its beneficiaries this year. The Ministry of Agriculture and Fisheries' "average sheep and beef farmer" had a 22 per cent leap in income and profits over the last financial year to end up with around $18,000 before tax. Admittedly, the previous year was a drought and net income has still not reached the $20,194 earned in 1976-77.

Nor will it in the coming year according to ministry figures. It is forecasting a modest increase to $19,600 held back by rapidly rising fuel costs as well as inflation. Over the last year farm costs rose on average 9 per cent but total farm expenditure also rose 22 per cent, suggesting a big increase in investment.

Rural Bank lending for land development schemes, $30 million, and livestock improvement, $21 million, also point to an upward trend in investment away from the negative or zero levels the Agricultural Review Committee commented on in February.

Stock numbers are now estimated to have climbed by two per cent, though in reality, beef cattle are declining while sheep are increasing.

A virtually trouble-free season at the freezing works has cheered farmers after several successive disruptive years. And farmers are being encouraged by their own union, Federated Farmers, to show their appreciation by giving freezing workers jobs through the closed season.

But will the renewed confidence allow New Zealand to farm its way out of the red?

Farming commentator David Yerex says the Government can try, through the Budget, but it is unlikely to produce the 10 per cent increase in output needed to put the balance of payments in the black and make the economy sound.

Only two forms of farming are really booming, he says: kiwifruit and deer. "From both, the farmer can make a packet.

"Farmers have two ways they can go. They can work for the money or farm for the way of life."

The experiences of the 1960s, when farmers were asked to boost production to put the country on its feet and got very little reward were still remembered, Yerex said.

"It will take a long time to win them back to the idea of farming for money."

Conventional stock farming could no longer earn big profits to make the pressures and risks worthwhile, Yerex said. Deer farmers in particular, and kiwifruit growers were still in their infancy with more untapped markets than could be handled.

Antler velvet prices are so high in the Orient, deer farmers cannot afford to kill stock for venison. Big incomes, $180,000 is possible from a relatively small herd, are attracting money from outside the farming sector, as is the deceptively humble looking kiwifruit.

Agriculture under secretary Rod Talbot's appointment has also been deceptive. Written off jokingly as the "Minister of small seeds", Talbot has been sowing wild oats that yet might produce good fruit.

Poultrymen finding egg profits cracking might try rabbit farming he suggested. after the Government has introduced the appropriate legislation. Now he is advocating opposum farming.

EDITORIAL

SPORTS administrators, churchmen, politicians in certain marginal seats, and spokesmen for the arts seemed somewhat startled by the service cutbacks announced last week by Broadcasting Corporation chairman Ian Cross.

But if the decision to delay or defer capital development projects and reduce programme production came as a surprise, it shouldn't have.

Cross has made it very clear that if the public wants a broadcasting service, it must be prepared to pay for it.

As far back as August, 1977, he was cautioning that licence fees might have to be increased (to $60 for colour and $50 for monochrome).

Last November, Cross again publicly raised the question of increased licence fees. If the fee was not raised, viewers would have to face big cuts in programmes, he said.

Earlier this year, the Prime Minister publicly pondered the possibilities of closing down TV2, selling it to private enterprise, or leasing it at weekends. In the midst of an unsettling period for broadcasters, Cross reminded the public that the corporation had put proposals for an increase in licence fees to the Government before Christmas and was *awaiting a decision — but if an increase in fees was not granted, the corporation would have to consider a number of options, such as cuts in radio* networks, retrenchment of local drama productions on both radio and television, a news service only six days a week, dropping some sports cover, cutting satellite service, and reducing the local content in programmes. He also made clear his desire to see the restoration of revenue balance — commercial revenue against licence fee revenue — closer to the 50-50 split of NZBC days.

In April, Broadcasting Minister Templeton declared he thought a licence fee increase was "essential if the present two-channel system is to continue".

More than six months after the licence fee application request was put to the Government, the Cabinet reached its decision: there would be no increase. Cross immediately pointed out that the effect would be a slow-down in extensions and service improvements for both television and radio.

The racing clubs, sports groups and others who now see their interests threatened mostly were complacently silent throughout this prolonged period of thrust and parry as the corporation tried to win support for its case.

Tourist Minister Warren Cooper, Energy Undersecretary Barry Brill and other National MPs who represent electorates affected by the capital expenditure cuts presumably acquiesced with the Government's decision to oblige the corporation to make do with a reduced budget.

The signs of the corporation's difficulties had been obvious enough. Over the past two years, budget cutbacks had resulted in reduced transmission hours, among other service losses which led ultimately to the controversy of the Golf Association being called on to pay TV2 several thousand dollars for live coverage of a golf tournament. Even the test pattern become a temporary casualty.

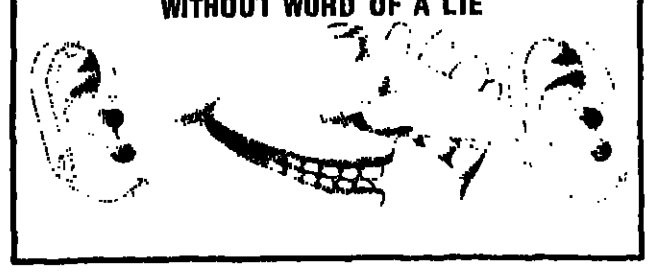
In light of the Government's readiness to impose hefty *increases in other state charges — among them electricity and Post Office charges, which add to the BCNZ's costs* — the justification for obliging the corporation to operate on reduced revenues is open to speculation.

What is obvious is that the Government's power to determine licence fee levels may be used to intimidate broadcasters over recent months. The Prime Minister, for example, reminded broadcasters that Cabinet was still considering the licence application while complaining about news and current affair items which irritated him

The cause of the supposedly independent BCNZ — and the public interest — would be much better served if decisions on licence fees were removed from the political arena and made instead by an authority such as the Broadcasting Tribunal or the Commerce Commission.

Bob Edlin.

WITHOUT WORD OF A LIE



THE standover tactics of the butchers got results. Faced with a threat of closure if industrial demands were not met, some employers agreed to pay their way out.

Now where was Carp when we needed you? Why weren't these custodians of our living standards out there picketing these maverick butchershop owners who failed to hold to their association's line.

Though the price of meat is dictated very largely by prices realised overseas, nobody can argue that increased wages are not going to result in increased prices.

The increases demanded by the butchers may well be merited but we take issue with coercion rather than negotiation as a means to an end.

So if Carp is quick to make a public outcry when retail prices are increased, shouldn't it attack the cause in this case instead of the result? That is, of course, if Carp is not politically motivated.

●

OFFICE space is at something of a premium on the third floor of Parliament Buildings. Thus housing the new undersecretary of Energy, Barry Brill, posed a problem that was solved by giving him the office recently vacated by press officer Peter Ackland. Which might explain why Brill sometimes sounds like a Prime Ministerial press officer.

●

AUSTRALIAN Prime Minister Malcolm Fraser seems to have scored highly on the foreign relations front — and won himself favourable publicity for his efforts — on a recent jaunt around South-east Asia.

Particularly successful was his attendance at the fifth UN Conference on Trade and Development.

Result: Headlines like "*Manila magic for the Fraser image*". And as The Australian reported: "Four days in Manila have done more for the international reputation of the Prime Minister, Mr Fraser, than four years of politely unnoticed world diplomacy."

Maybe our own PM missed a great opportunity to catch the headlines by not following the example of his Australian equivalent.

●

TALKING of keeping in step with our Aussie neighbours, how about this idea?

A national network of industrial trouble-shooters is being set up to make Australian companies more productive by telling them how to reduce costs.

Beginning with the metals industry, which employs half the manufacturing workforce, specialists will visit factories and tell management what their problems are and where to get help.

The scheme will involve universities, libraries, the Commonwealth Scientific and Industrial Research Organisation and employers — the first time their combined resources have been pooled to assist industry.

The scheme is known as the Technical Transfer Program, and will move into other industries — such as plastics, furniture and footwear — within three years.

It is designed to do more than pinpoint specific problems in individual factories. Entire industries will be overhauled to make their products more competitive locally and on world markets.

●

IF we interpret events in Parliament correctly, the Post Office has no authority to require that you nominate a carless day on your car registration form. It's got something to do with the forms provided for registration of motor vehicles, and the fact these forms did not officially pose the question: what day do you want as a carless day? Thus the legitimacy of the scheme was made dubious.

Labour's Bob Tizard seemed to appreciate these delicate points in advance of his firing a few embarrassing questions at Postmaster-General Ben Couch.

Defence Minister Frank Gill therefore, was tempted to inquire: if you knew the answer, why ask the question?

"I intend — for the sake of Biggles — to have this made public," Tizard rejoined. But the Speaker obliged him to apologise and withdrew the Biggles bit.

And on top of everything else, that leaves us wondering if Biggles has become a dirty word.

●

THE external intelligence boys who operate inside the Prime Minister's Department have produced an Atlas of the South Pacific. But according to one recipient of this publicly funded production, the covering letter noted that it was a "Classified Document".

Not being privy to a copy of the atlas, we're uncertain if its contents indeed contain top-secret information.

Or whether it's just that old classification habit die hard for intelligence officers.

Or maybe the PM's Department — conscious of that feeling of disillusionment widespread in the community that stimulates migratory urges — is trying to stop New Zealanders finding out how to get to places like Sydney, Brisbane, Suva and so on...

●

IN inviting Cabinet to approve of an increase in television licence fees, the BCNZ has indicated that it will not be able to bridge the gap in its budget by selling additional television time or raising rates or both.

Those whose job it is to sell that television time have confirmed to us that the additional required revenue is just not there.

The Association of New Zealand Advertisers has gone on record and intimated that the advertising money tree is not bearing an additional crop this season.

And the advertising agency people are worried stiff about how, under restructured programming, they can produce advertising effectiveness from a commercial slotted into a programme on the technique of playing a Maori nose flute.

So the experts are more than a little concerned. Needlessly, it would seem, according to a statement from the Minister of Broadcasting, Robert David Muldoon, "The increase in advertising revenue that is likely to come this year will be adequate to cover the Budget..."

There your are, you see. Although it's a lot of fun for ordinary mortals to indulge in a bit of guessing, how comforting it must be to know.

●

FOR those of you who still shudder at what Roger Douglas did to superannuation and broadcasting between 1972 and 1975, we note his latest promotion. Fellow Labour MPs have elected him to the party's policy council.

MPs have five positions on the council. Two of those go to the leader and deputy leader and the other three are elected by MPs.

Last year the three elected members were Mick Connelly, Sir Basil Arthur and Fraser Colman — not a high-powered bunch, in the view of some of the newer members.

Colman got back on, topping the poll in fact. Douglas was next on and he was joined by fellow Aucklander and co-conspirator in last year's abortive coup to put David Lange into the deputy leadership, Jonathan Hunt, health spokesman.

The policy council is the body that puts the official seal to election policy. Both Douglas and Hunt, though more so Douglas, succeeded in pushing through policy from outside the council last year. The new promotions should make it easier for them to influence policy.

●

NEW Zealand, as we keep complaining, is in danger of drowning in a sea of red tape. It's a one-man's-meat-is-another-man's-poison situation.

Trouble is that the concoction of ever-new sets of regulations seems to be, at least in part, a protective device dreamed up by public servants to keep themselves out of trouble.

An excellent example arose just before Easter when a string of light aircraft accidents brought adverse public comments.

Civil Aviation director E T Kippenberger reacted quickly to counter the flak. Against the advice of many in his department and without consulting the aviation industry, he hurriedly produced a set of regulations designed — as he thought — to prevent future weather-related accidents.

In doing so, he overlooked the fact that he could have just as well achieved his objective by enforcing existing aviation regulations already under his control. Thus the new regulations he dreamed up, only added to existing confusion and generated new flak which compelled him to withdraw them barely a month after they had been so proudly promulgated.

Yet the rules Kippenberger produced as a protective device, are nothing compared to the requirements imposed on those who seek to capture live deer.

If they are to obey the law, aircraft operators engaged in deer recovery must — in one flight — conform to the provisions of the following 15 Acts of Parliament:

The Arms Act 1958, the Air Services Licensing Act 1951, the Civil Aviation Act 1964, the Forest Act 1949, the Forest and Rural Fires Act 1977, the Health Act 1956, the Land Act 1948, the Litter Act 1968, the National Parks Act 1952, the New Zealand Walkways Act 1975, the Reserves Act 1977, the Trespass Act 1968, the Water Pollution Act 1953, the Wild Animals Control Act 1977, and the Wild Life Act 1953.

Is it really beyond the wit of officialdom to combine all these provisions (and the statutory regulations flowing from them) in one regulation administered by one department of state?

Or does officialdom think it better to have one operation administered by a series of departments as a means of providing jobs for the boys?

●

A REGULAR traveller between New Zealand and the United States has long believed that, for duty-free shopping, Los Angeles International Airport is the very last place bargain hunters should patronise.

His opinion was reinforced early last month when he sought to buy a film. With full duty plus normal local authority tax, the particular film he wanted cost $1-45 at ordinary shops.

At a Los Angeles Airport duty-free shop, the price he was asked for the same film was $3.45 (nearly 240 per cent more than in normal shops).

The traveller walked out without a film but, as a matter of interest, asked the price of his $1.45 film when he reached a duty-free shop in Honolulu International Airport. "$2.45," said the shopkeeper.

"How come that is a dollar more than the mainland price?" asked the visitor.

"Well," said the Hawaiian shopkeeper, "don't you know that airport shops always charge more for their goods than they do elsewhere?"

●

BROADCASTER Lesley Miller, this week's new chum in the Prime Minister's office, is no newcomer to high-pressure media hassles from every angle.

Only last Thursday she was signing off from her midnight show on Gordon Dryden's two-month-old Radio Pacific, where daunting hours and a saga of teething problems have been the daily fare for all founding staff.

She comes to Wellington to take over from Peter Ackland and will be working alongside Gerry Symmans as Assistant Press Secretary.

Working for Dryden, though, was not necessarily the high point in this lady's list of challenges faced. Last November she was the National Party's Taupo candidate and for several years before that a Radio New Zealand broadcaster and journalist.

●

SOME Australian mums do 'ave 'em.

Put it down to a total lack of diplomacy, no gratitude, or a fondness for gallows humour, but it seems that some of Continental Airlines' Australian guests to the United States on a recent inaugural flight were visiting the factory that produced the grounded DC10s, McDonnell Douglas and left singing the latest hit song . . .

"Old McDonnell made a plane, ee-i-ee-i-oh. And on this plane there was a pylon ee-i-ee-i-oh. With a crack crack here a crack crack there, here a crack there a crack, everywhere a crack crack . . ." and so on.

●

UNSECURED creditors in Nationwide Transport Autos Ltd, the only likely survivor of the Haulaways Corporation crash, are being offered less than 40 cents in the dollar to settle outstanding debts.

Haulaways receiver Peter Coote is urging the creditors to accept the scheme, taking 25 cents in the dollar in December and 12.5 cents a year later.

"Otherwise creditors will be lucky to receive 20 cents in the dollar after five years," he said.

Nationwide Transport Autos debts amount to $385,000. The Accident Compensation Commission, the Post Office, Dunlop, Atlantic Oil and Europa are among the largest creditors.

Coote says the company the country's largest car transporter, is itself profitable. But it is understood its arch rival, the Railways, is now putting in the financial knife by not providing a regular car ferry service over the Cook Strait, the only gap in the company's network.

Railways are attempting to recover the ground lost to Nationwide's former boss and founder Matt Thompson by insisting the vehicles it carries are railed from Auckland to Wellington and on to Christchurch.

To overcome the delays caused by the Railways in the past, Thompson founded Nationwide Air Ltd, leased two converted DC4 Carvairs and bridged the Cook Strait. Nationwide Air Ltd crashed after long delays, including the failure to get approval from the Air Services Licences Authority chaired by former Railways deputy general manager J H O Tiller.

When Nationwide Air Mark I failed, Thompson formed Nationwide Air International to take over the Carvairs and the car ferrying contract. But that company is now also in financial difficulty and is not renewing its lease on the two aircraft.

Meanwhile, Coote is negotiating with James Aviation, which wants to fly the Carvairs and plug the gap in Nationwide Transport Autos network.

James Aviation's application to the Air Services Licensing Authority is due to be heard soon and though it will be opposed by existing State-owned and private operators, it will get strong support from former Thompson clients.

●

FORMER National Party communications director Murray McCully has joined the swelling ranks of — Government lobbyists?

Working for Auckland public relations consultancy, Allan Fenwick Ltd, McCully will put to use the contact he has had with the wheels of Government in the past.

Lobbying? "Oh, I wouldn't like to use that term . . . it's rather a question of facilitating communication between Government and the private sector," he says.

So it's more like "Government relations", the new, polite term for this thriving activity.

Interesting to note Allan Fenwick's major clients: AHI Group, Nylex-Fletcher, McDonalds, Singapore Ai.. Chemists Guild and Steven.. Bremner, just to name a few.

McCully says it's not proper for him to say too much about who he's going to be lobbying — sorry, facilitating communicating — for. But we're opting for AHI, and McCully hasn't disputed it.

Asked if the move means he's discarding politics (McCully served three terms as New Zealand Chairman of the Young Nats and in 1975 contested the Auckland Central seat as National Party candidate) — he said, that for the moment he's not seeking any formal role in the party, but he is not giving the game away completely.

●

A LEADING Wellington liquor outlet's pre-budget sales amply reflect the panic purchases sparked by rumours of a hefty tax being loaded on to grog.

In just one 11-day period, sales topped the $58,000 mark, peaking one day at $43,000.

The manager reckoned, judging from his sales, some $75 million worth of booze could have been bought throughout the country last month.

BROCKIE'S VIEW

Editor: Bob Edlin. Editorial: Ralph Green (Production Editor), Rae Mazengarb, Colin James, Belinda Gillespie, John Draper.

Advertising Manager: Paul A. C. S. Loh. (P.O) Box 9344, Telephones 736-876, 859-019, Wellington.)

Auckland office: Editorial, advertising and distribution inquiries: Warren Berryman, Telephones 685-885, 687-901.

Published by Fourth Estate Newspapers Ltd, 15 Blair Street, Wellington. Printed by R. Lucas & Son (Nelson Mail) Ltd, 15 Bridge St, Nelson.

Economy struggles on despite fancy footwork

Economics Correspondent

SIX months into 1979, the economy has just been through the most buoyant period it has seen for some time. And it is unlikely to experience such buoyancy again for a while.

The balance-of-payments situation improved during the first half of this year. Exports for the year ending March grew by close to 16 per cent, reflecting large growth in the returns from meat, other animal products, wool products and manufactured exports. This upswing on the export front has meant that the balance of trade (goods exported less goods imported) carried a growing surplus.

Only the invisibles (payments for travel, insurance, freight and so on) constrained improvement in the balance of payment deficit. Improvement in the overseas deficit was a result of an increase in the volume of exports, low import demand and a slight improvement in the terms of trade.

There was good news for wage and salary earners, too. Nominal weekly wages, one measure of overall wage increases in the economy, rose 14 per cent during the year ended March 1979.

The Labour Department's half-yearly survey of wage increases between October 1978 and April 1979 has yet to be published, but pundits forecast that that survey too will show wage increases for the period slightly above the rate of inflation.

Comparatively speaking, things have been good so far this year for the farmers. Their incomes are up as a result of higher production. Favourable weather has helped dairy farmers increase

Six-monthly Survey

THE ECONOMY

their output and favourable export conditions have improved the lot of beef and sheep farmers.

Company incomes also increased during the first six months of this year and because companies are provisional taxpayers, they have been able to hold over tax monies intended as payment for the Government's lifting of the stock allowances scheme until next year.

After peaking at nearly 52,000 in January, the number of unemployed stayed at around the 50,000 mark for the first six months this year. This slowing in the growth of the numbers unemployed is the result of increased growth in the economy during this period and the existence of seasonal work.

Retail sales reflected the growth in economic activity. Retail sales during the March 1979 quarter were nearly 16 per cent higher than during the same quarter in 1978. This represents an increase of 5 per cent in the volume of sales.

But when these figures are corrected for normal seasonal fluctuations and adjusted to remove the effects of price and population changes, things do not look quite so rosy. Turnover per head during the March 1979 quarter showed a decrease of nearly 2 per cent compared with the December quarter last year.

Finally, consumer price increases got as close to a 10 per cent annual rate during the first six months of this year as they are likely to during the next few years. The average annual rate of inflation at March 1979 was 10.9 per cent.

But while most of the economic news describing activity during the first six months of 1979 is good news, there is one bit of very bad news. Growth in the outflow of migrants is still increasing rapidly. In the year ended March 1979, 40,200 more people left New Zealand on a permanent and long-term basis than entered. This compares with a net outflow of 26,708 in 1978 and 19,072 in 1977.

The emigration trends reflect growing unease among New Zealanders about the long-term viability of the economy. We have just lived through one of the shortest expansionary phases in New Zealand's history.

Any good news about the economy hides the growing cancer of a deep-seated balance of payments problem, an increasing haemorrhage of skilled people through outward migration, a worsening unemployment problem and the blight of ever-rising food prices.

Most of this temporary expansion can be attributed to the Government's expansionary fiscal and monetary stance taken last year. The Government hoped to stall the increase in the numbers of unemployed and stimulate business confidence enough to be returned to office.

But since taking office, the Government has contributed to uncertainty about the future by sidestepping any opportunity to unfold a plan of its economic objectives. If the Government has a plan for the economy, it has not disclosed it. Only fragments of a policy have as yet been introduced.

Two Government surprise moves during the last six months did not make its objectives any clearer. An attractive cash loan subscription was announced during Easter week in April. The cash loan featured an interest rate of 13 per cent for a five year term and 10 per cent for a 10 year term. When the loan closed in May, $420 million had been subscribed.

The other surprise move was to raise sales taxes on some items to raise $38 million more this year in Government revenue.

Both the cash loans and increased indirect taxes could have a significant effect on economic activity. The cash loan makes it difficult for firms to obtain funds for investment at moderate cost.

By borrowing from the private sector at comparatively high interest rates, the Government is mopping up funds which might otherwise be available for investment.

Despite the slight improvement in the economy over the last six months, business and consumer confidence has remained low.

Firms are showing a general despondency towards new investment. They have shown a preference to increase their profits by using existing capacity more efficiently. There has not been enough growth in the economy to generate new employment and during the next six months unemployment is likely to rise again.

Some firms did, however, start to rebuild their run-down stocks during the first half of 1979. This is one reason why import orders grew by 32 per cent in the month of March this year.

As a result, payments for private imports in September year 1979 are expected to be nearly 18 per cent above the year before. So the improvement in the balance of payments is short-term, unless export conditions improve at an even faster rate than the above average rate over the last six months.

The crunch is that because fundamental restructuring has not taken place, the return to *positive growth has generated a deterioration in the balance-of-payments situation.* And with oil prices rising, as much as $300 more could be added to imports by the end of the year.

After six months of relatively good times, the economy is poised for the new battles ahead.

The Government's Budget this week could hold the key to dealing with the fundamental problems underlying New Zealand's future development.

One thing is certain, if the Government's Budget is too restrictive, it will only add to the impetus of the other mechanisms pushing the economy into recession again.

Energy plan: dead from ankles up

Energy Reporter

NEW Zealand's energy strategy through the last six months has been dead from the ankles up. Budget "footwork" will do little to repair the "one-off" decisions, which have been taken with scant regard for implications throughout the mix of energy supply and pricing.

The grand daddy of them all was Treasury's electricity pricing move. That was made with no reference to energy planners and sent ripples through the entire energy system:

- A resultant 4 per cent downturn in demand;
- Consumer resistance to payment;
- Lower gas demand by the thermal power stations;
- Lower recovery of Kapuni-Maui oil condensate;
- Lower recovery of Kapuni-Maui LPG.

With Opec prices "going through the roof", the sorry saga of New Zealand's lack of oil exploration lives on.

Only Aquitaine, with its favourable French tax regime, could be lured to spend money offshore.

The State exploration company, Petrocorp, has secured all prospective onshore licences and has been drilling since November at Toko in Taranaki.

Results are expected in the next week or two.

Geothermal exploration has also taken a tumble. Government expenditure cutbacks meant only one drilling rig will be used to prove the valuable renewable resources.

But it was the Iranian revolution and the drop in oil supplies which occupied much of the time of new Energy Minister Bill Birch.

Birch drew the oil, transport and industrial captains to his side, and tip-toed through serious supply and price problems through most of this year.

Unparalleled parliamentary press conferences on the oil situation were a feature of the Government move to prepare the public for weekend petrol sales bans and carless days.

Despite the sceptics, the Government-industry alliance has held good throughout. There is talk that even the oil industry should be given the task of directing future moves in the continuing oil crisis, to avoid the bureaucratic muddles that have been seen in both the weekend sales ban and carless days scheme.

Perhaps the saddest event for New Zealand was the successful completion of Maui. Blind energy planning did what the sea and weather couldn't — it stopped Maui dead in its tracks the very day the oil men brought the gas ashore.

With a capital cost approaching $600 million and a $900 million annual overseas oil bill, the inability of the bureaucrats to come to grips with the need either to find a satisfactory market for the gas, either as a fuels substitute or for industry and homes, is the embarassing testimony to non-existent energy planning.

A similar story can be told of coal, by far the most significant non-renewable resource yet discovered.

In Southland alone, the equivalent of five Maui gas fields have been proven in vast lignite deposits.

Yet, through the last six months the coal industry has struggled to make it in a market loaded with more attractively priced energy options.

The only good news for the industry is the forthcoming Ministry of Energy coal plan which will be tabled in Parliament along with the power plan.

So as we move into the third quarter we await the reports of the Liquid Fuels Trust Board which evaluate the export and import substitution options such as methanol (as a fuel extender), liquefied natural gas (for export), ammonia-urea fertiliser (for local use and export) synthetic gasoline-diesel (for local use) and so on.

But all these options will require some years to develop.

The problem confronting New Zealand now is the crippling price of liquid fiels imports.

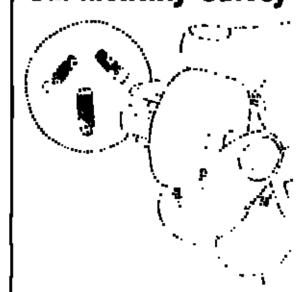
In the light of past and current events, the much talked-about Energy Advisory Committee should be established immediately — it would be charged with "fire-fighting" the imminent crisis by drawing on the best brains in the private and public sectors.

While the Liquid Fuels Trust Board reviews the mid-to-long-term energy options, the advisory committee could set its sights on an emergency approach to the immediate future.

Observers say the committee would be faced with the need to rationalise electricity and gas distribution; to find ways to effectively redirect electricity and gas to users in both islands to gain maximum benefit from locally produced liquid fuel alternatives.

This scenario hinges on

Six-monthly Survey



ENERGY

differential tariffs for South Island electricity and maximum natural gas reticulation in the North.

Pipelines across the width and breadth of the North Island — aside from fuelling homes and industry — would provide the means for compressed natural gas distribution points for vehicles.

Every cubic metre used in this plan would mean a greater recovery of oil condensate from the Maui field and an equivalent supply of LPG. Naturally every barrel equivalent of energy produced locally, backs off imports.

Main points in the plan are:—

In the South Island:

- Differential electricity tariffs reflecting the cheaper costs of production and distribution.
- Continued supplies of oil-based products for internal combustion engines.

In the North Island:

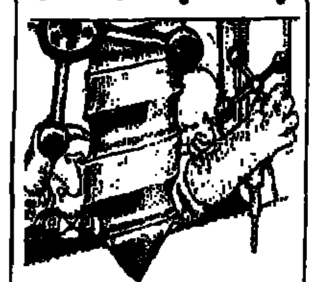
- Immediate start to the Huntly-Auckland gas line.
- Immediate start to the Kinleith-East Coast line.
- Early recommendation on criteria for CNG-LPG distribution, with proposed filling stations outlined.
- The immediate conversion of all appropriate vehicles to CNG or LPG
- Tax incentives and grants for vehicle conversion.
- Removal of taxes and duties currently payable for imported storage equipment.
- Tax incentives for local manufacture of CNG-LPG parts.
- Low-interest Government loans to franchise holders importing sought-after CNG storage vessels.
- Immediate training programmes at technical colleges and within gas and oil industries for personnel involved in CNG-LPG technologies.

Environmentalists point out, that while such an emergency plan is necessary, the long-term implications of the local use or export of finite resources demand an immediate start to the development of renewable systems such as electric cars, railway electrification, biomass and solar.

Stop-start policy dulls manufacturers' drive

by Allan Parker

Six-monthly Survey



THE MANUFACTURERS

LONG black clouds of uncertainty and confusion surround manufacturers as they face tomorrow night's Budget.

In recent years, domestic market manufacturers have received virtually nothing from Government on Budget night; the exporters have been the winners. There is no likelihood that this trend will discontinue. Indeed, indications are, given the revamped export incentives package, that manufacturers who have not foreseen the restructuring signs will find nothing to comfort them in the Prime Minister's news.

"Stop-start" policy moves have done little to inspire company confidence for either current production or future planning during the past six months.

At the same time, firms are still trying to cope with the effects of the big downturn in 1976-77.

Manufacturers say that certain trends within the last six months can be identified.

One of the major trends is the reaction against taking on staff. Companies are extremely wary about taking on overtime commitments or any extra work involving penalty payments such as weekend costs. Thus, companies are not growing in terms of employment or capital investment.

The policy being adopted is "wait-and-see" what Government proposes and how demand recovers.

Most companies report they are extremely busy, running a full eight-hour shift but refuse to commit themselves to further productive use of plant, equipment and labour. This slow-down is having obvious flow-on effects throughout the economy.

Commentators regard this policy as short-sighted but see no alternative for companies operating solely on a domestic market basis.

Another major trend to emerge recently is rethinking towards the introduction of labour saving technology.

One Auckland company, for example, is planning a labour reduction of 50 per cent coupled with a significant rise in output production. And this within its short-term planning horizon of three to five years.

More than ever, foresighted engineering companies are investigating the purchase of numerically-controlled plant. Labour-intensive industries, they reason, can no longer afford the high price of that labour; the answer is to buy the new technology.

In the past, this type of electronically-controlled machinery has been too expensive. But with a high-priced labour market and Japanese predictions that the world is on the brink of a leap forward in price and application of silicon chip technology, what manufacturer hoping to retain his competitiveness both internally and internationally can ignore these trends?

"A significant number of these traditionally conservative companies have become interested in this new technology," a leading manufacturer said.

"They realise that unless they have use of the new machinery they will not be able to stay in the market."

Semi-official activity includes workshops on numerical-controlled machinery by engineering trade groups.

In the last six months there has been the dramatic improvement of company profits. This is seen largely however, as a reflection of expansion, fueled more by past year's election goodies, than confidence in the coming years.

But some companies are still experiencing problems with overheads. These companies are primarily dependent on the domestic market and can expect to face further problems if they remain content to depend on local sales — the exporters are going to win in the long-run.

The domestic market is still regarded by most of these companies as an easy market, but the arguments for a sound domestic base for exporters is losing ground every day.

One of the major upheavals in the sector in the last six months has been the removal of price control, which is regarded by many observers as the best thing to happen to New Zealand industry since sliced bread.

The removal has caught many manufacturers unawares and made them realise the flimsy structure of their management capabilities.

The effect of the removal is still being absorbed by most companies. But the general view within the industry is that it will increase competition.

Manufacturers are already looking towards product rationalisation, for example.

"In fact, they are finding they have to look at cost effects they have never had to consider before. This reinforces the view that a more efficient, less protected industrial sector will benefit both the companies and the country," a manufacturing industry commentator said.

The final major trend in the industrial sector in recent months has been the activity in the area of commercial rationalisation.

"The country is awash with investment finance," according to one source.

The multi-million-dollar companies are touring the country looking for asset-rich small companies with good prospects both in technology and resource-use.

Many of these smaller companies are vulnerable to take-over bids at present and, given the moves toward economic structural change, they are likely to offer the larger companies a tempting morsel.

The present economic climate is thus clouded with doubt. Past policies and current trends have contributed greatly to a feeling that there is a lack of direction.

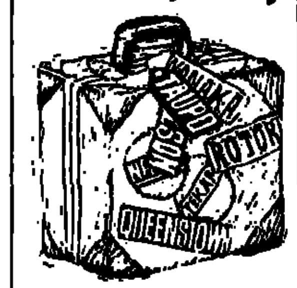
But perhaps more worrying to the nation's manufacturers are the continuing calls for economic restructuring. The restructuring is certain — companies that ignore the movement toward this are just hiding their heads in the domestic market.

What they do need, however, is a clearly defined plan for the restructuring. Present isolated policies do nothing more than confuse industrial planners.

If there is one area the manufacturers should be clamouring to have details about in tomorrow's Budget, it is a clear direction for the future. Failure by the Government to do this can only increase the susceptibility of the entire sector.

Tourism firms demand export industry status

Six-monthly Survey



TOURISM

TOURIST operators are hoping for measures in the Budget to encourage more visitors to come to New Zealand.

But instead of expecting they will get a range of new incentives and Government assistance, there's a general feeling the Government is likely to clobber the industry to cut down the outflow of funds from New Zealand.

New Zealand had nearly 418,000 visitors in the last financial year — an increase of 7.1 per cent over the previous year, and a figure only slightly below the 8 per cent per year growth target set by the Tourism Advisory Council.

Foreign exchange earnings for the year totalled $165.8 million, an increase of only 3.3 per cent on the previous year.

While the industry is nearly meeting its target on a head count basis, the revenue earned per visitor is actually declining. Earnings per visitor are also falling well behind the rate of inflation.

The Government has made two moves on recommendations of the report of the Tourism Advisory Council. But much more remains to be done.

Price control over hotel and motel meals and room charges has been lifted, and the Government has indicated its willingness to allow foreign investors to have up to a 100 per cent share of some New Zealand-based operations.

In the accommodation area, operators are looking for a range of incentives designed to put tourism on an export footing and for increased depreciation allowances.

So far the Government has not accepted either of these points, but both are budgetary matters on which something could be said tomorrow night.

In the marketing area, major increases in promotional funds are being sought both for the Tourist and Publicity Department and for the private sector to promote New Zealand in the growth areas of North America and Japan. More money for a bigger effort in Australia is also wanted, to maintain our market share.

Some extra money has been released but what the industry is wanting is a commitment that increasing amounts will be available over the next decade to develop proper market promotion of New Zealand as a destination.

In the area of education and training, much more work needs to be done. Increasing the number of visitors at the rate of 8 per cent per year compounded over the next decade means a 31 per cent increase in staff in the industry.

Instead of pushing the various recommendations of training and education through the chain of committees run by the Vocational Training Council and the Department of Labour, much time has been spent in recent months fighting Government plans to scrap the Travel Industry Training Council.

In transport, the critical problem of air fares remains up in the air. There's no agreement on new air fares from Britain and Europe to match the seasonally based Australia-Britain fares.

On the Pacific, another round of negotiations between the United States and New Zealand is due shortly and the main protagionists, Air New Zealand and Continental Airlines, are still at loggerheads on what the final shape of the air fares package should be.

On the Tasman, the limited agreement on low-season fares expires on August 15. The only demonstrable outcome was a bigger flow of Kiwis toward the Australian sun, rather than Australians to the New Zealand winter.

The airlines are close to agreement on new fares for the rest of the year, although this is expected to produce some sharp rises in certain fare types.

On ground transport, the industry has seen no progress toward the removal of the present depreciation allowances of rental vehicles, or on the reductions in duty on tour coaches which operators have been seeking for many months now.

But the major hope is recognition by the Government of tourism as an export industry, earning overseas exchange within New Zealand. The specifics of meeting the target of a million visitors a year by 1988 can be sorted out from there.

Despite all the input to the Government from the industry, operators fear that there is not the political will to do this, and instead the Government will see short-term financial problems as more important and move to tighten the flow of travel dollars out of the country, rather than moving positively to increase the flow of tourist dollars into New Zealand.

But this isn't only Budget week. It is also the week for Tourism Minister Warren Cooper to convince the tourist industry he has been a success.

Cooper has been projecting himself as the industry's man for the industry, largely on the basis of his experience as a tourist operator and Mayor of Queenstown before being elected to Parliament in 1975.

But as tourism's man in Cabinet, he has previous few results to parade before the *National Travel Association* when he opens its annual conference in his home town tomorrow night.

Co-incidentally, it is Budget night, and Cooper has made special arrangements for the travel and tourism sections of the Budget to be made available to him for release to delegates at the appropriate point in the evening.

Not that anyone in the industry is seriously expecting much good news from it. A few, harbour faint hopes that their representations on the much-hated travel tax might be successful. But even the optimists couple this with an abiding fear that removal of the tax might bring something worse in its place.

The suggestions most widely canvassed in that direction, include limiting the amount of money to be taken overseas with a possible exemption for the export drive; restrictions on use of credit cards overseas; or further moves on the pricing front, to discourage outbound travel generally.

When Cooper became Minister of Tourism after the last election, he had the agreed blueprint on tourism for the next 10 years sitting on his desk.

His predecessor, Harry Lapwood, had carefully nurtured the Tourism Advisory Council through its formative stages to the production of a comprehensive and generally accepted report on what the industry wanted for the future and what it was prepared to do about getting it.

All Cooper had to do, was convince his Cabinet colleagues to accept what looks like a remarkably uncontentious document, once one accepts its basic assumptions.

But Cooper has brought few crumbs from the Cabinet table to an expectant industry. The general feeling is that any Budget blow to tourism will see his political stocks tumbling.

One industry spokesman said of Cooper's performance: "He can only play the private enterprise theme so long".

The basic and major assumption built into the TAC thinking is to see tourism as an export industry earning overseas funds within New Zealand. Therefore, the argument goes, it should receive the same export incentives that farming and manufacturing industries receive.

The difference between the two areas — that one exports goods and the other imports people to earn the overseas dollar — is not considered important.

But that kind of thinking, while endorsed by Cooper, has not found much favour with his colleagues, who have concentrated instead on the so-called travel deficit, (the gap between what New Zealanders spend overseas and what tourism earns from overseas).

Cooper's appointment was generally welcomed by the tourist industry, which allowed him a few months to find his feet and come to grips with the TAC exercise.

But since then there have been few developments.

Price control over hotel meals and accommodation was lifted a few months ago, but the sweetness of that victory was soured somewhat because it predated the Government's move to generally lift price control only by a few weeks.

The second partial victory was *the statement from the Prime Minister, that the Government would accept foreign investment of up to 100 per cent in certain enterprises.* That may benefit tourism by widening the pool of possible investors in the long-term but Rob Muldoon's statement has not yet been translated into action, and was much broader in scope than just tourism.

And allowing foreign companies to own New Zealand hotels outright will not add one extra bed while the rate of return on investment in hotels remains abysmally low.

NBR consulted members of the working committees which drew up the initial recommendations for the 1978 Tourism Conference, which in turn virtually endorsed all of them for incorporation in the final TAC report.

In each case the message was the same: no action; recommendations bogged down in the bureaucracy; no political will in the Government; no obvious push by Cooper to free them up.

On other sections of the TAC report, besides the two moves mentioned in Accommodation, the industry has noticed remarkably little action, and disenchantment is present and growing. Perhaps this Budget will pull Cooper's stocks back up. Certainly his six months of grace as a new minister are now well and truly over.

FIJIAN TAX CONGRESS ATTRACTS NEW ZEALAND, AUSTRALIAN AND AMERICAN VISITORS

New Zealand's first Offshore Tax Congress scheduled to be held at the new Naviti Resort Hotel in Fiji on July 28-29, has attracted a great deal of interest, not only from New Zealanders (for whom the conference is intended) but also from Australians and Americans.

In addition to New Zealand registrants, sizeable contingents will also be coming from the United States and Australia. Principal speaker at the congress will be well-known Australian tax lawyer and author, Peter Clyne, LL.M. Other speakers include Wellington's Bob Jones, and Auckland barrister and tax lawyer, Bruce Grierson.

The purpose of this gathering is to discuss methods by which New Zealand business and professional men can structure their affairs in such a way that the end result is that they will pay less tax than they may currently be paying.

Cost of attendance, including all congress fees, air fares, accommodation, etc., range from $555 for a three day stay to $695 for a 10 day stay in Fiji.

Full details on the congress can be had from Professional Publications, P.O. Box 820, Wellington. [Telephone 728231].

Transport firms tighten belt beyond last notch

by Bob Stott

SOME businesses may flourish in a recession, but transport, whose fortunes are directly linked to production (in the case of goods) and spare cash in the public's hands (which is what generates a lot of passenger traffic) is not usually one of the lucky ones.

The first half of 1979 has seen nil growth in the amount of work the transport industry has been called on to carry out. This is not as bad as it could be considering the drops in work available over the past couple of years.

There are signs that the bottom has been reached, and that the industry will continue at about the present level unless the Budget either sparks off a further drop in production or else has the reverse effect. Most transport undertakings are running a pretty tight ship now and as a result have little leeway to absorb any Budget-inspired pressure.

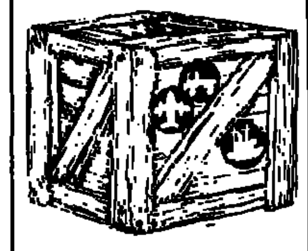
It has been a sort of "hanging on" time for the licensed road transport industry — times have obviously been better in the past, but the first half of 1979 could have been a good deal worse. Rural carriers, in fact, whose fortunes reflect those of farming, have had quite a good summer, and most have accumulated enough fat for them to come through the quiet winter months without much loss of condition.

Carriers have at last won acceptance that rates increases allowed to compensate for the introduction of the road user charges system, should have been on a sliding scale. For the rural operator this means he can now recoup the extra cost of making a long haul under the RUC system, although for the town carrier it will in some cases bring rates down slightly in view of the shorter runs and longer standing time involved in city work.

The Ministry of Transport fines carriers' rates by dividing the industry into two — town and rural.

The situation regarding "town" is difficult to assess because there has been a gentle decline in work available to traditional town carriers doing short-haul pick up and delivery work. Others, who have been working on inter-city runs opened up by the 150 kilometer limit have done well if they are clever, and badly if they have rushed

Six-monthly Survey



TRANSPORT

in without doing their homework.

The message has got through to most carriers now though: that with the road user charges system in force, dead running is just not on; that rising fuel prices have the same effect; that rate cutting to levels below what's needed to stay afloat is foolish.

It does seem that the road user charges system has brought about a more efficient road transport industry and further fuel increases may also help. The poorly managed firms are doing badly because of the tougher conditions, but those well run, have proved able to live with the charges system (no matter how much of a burden it was first claimed to be).

In a nutshell, road transport in the first half of 1979 was no worse off than a year ago . . . which is a lot better off than some pessimists predicted.

For New Zealand Railways, the first half of the year has brought mostly bad news, but there was a little good news too. The good news is that the decline in traffic appears to have been arrested. New Zealand Railways lost less traffic last year than the year before, and there is now evidence that the decline has bottomed out.

The department's annual report will show a record deficit this year, and no doubt the daily press will latch on to the loss as will the usual assortment of pressure groups.

The working result, the difference between money spent on providing services and income from freight and fares is likely to be an improvement on the $62.9 million deficit of 1976 — this was the worst year to date and came as the worst effects of the rail price freeze were being felt.

The 1976 deficit totalled $62.9 million plus $3.6 million in interest charges, but the 1978 deficit of $37.9 million had added to it interest of $19.1 million to produce an overall $56.9 million loss . . . National Development Loans made to tide the NZR over the price freeze being the reason for this boost. This year's deficit, while less as far as the working result is concerned, will probably include $20 million in interest charges and will exceed the 1976 total.

There is a theory that as the NZR had to borrow to survive the price freeze, such money should be interest free — the freeze was imposed from outside and was beyond the control of the NZR. It's unlikely that this will be done.

Railways general manager Trevor Hayward in February put his cards on the table with publication of the discussion document Time for Change. The report was seen as a recital of NZR losses, or a threat to cut out services and lines, rather than a recital of problems and possible solutions aimed at forming a basis for discussion.

He said that "as a trading organisation, Railways prepares a profit and loss account in the conventional manner . . . but in interpreting it the very heavy impact of Railways obligation to provide certain services for social reasons should not be overlooked. The financial impact of these services should be spelled out in the annual financial report".

Look for a move in this direction in the 1979 report.

For Air New Zealand, the year started bravely enough. The airline overseas launched itself into a newly competitive age with at least an outward air of confidence, the merger with NAC was beginning to settle down, and there was some confidence that despite tough times ahead things would work out.

Internally, the fuel crisis business was holding up well in the first months of the year until April when industrial and weather problems caused widespread disruption. It seems that, although trends are clouded by these interruptions, there has been some slight growth.

The big blow came with the United States enforced grounding of DC 10 aircraft following the crash of a short-range DC 10 in the States. On top of that, a DC 8 ran into trouble in Honolulu on take-off, frustrating the airline's attempts to patch up some sort of service in the interim.

What started out to be a marginally profitable year is now likely to end up in the red — how much in the red cannot be guessed as at time of writing the 10s are still grounded.

As the airline does not intend to publish separate accounts for internal and overseas operations it will be difficult indeed to assess the success or otherwise of the merger from a purely financial point of view because of these complications.

Coastal shipping carried on more or less as usual in the first half of the year, with the general policy of encouragement amounting to nil results.

'National will promote the provision of shipping services where the economic need for such services has been established" says the 1978 election manifesto, and of course, "economic need" has yet to be established in this sense.

In fact the year may see the end of coal shipments out of Westport if the Portland cement works proposal to use Huntly coal gets off the ground.

The jetfoil proposal from TNL Ltd caused some interest as did a counter proposal from Japanese interests involving a sort of catamaran. These craft go faster than conventional ships but do not replace them — they would seem to be likely to take as much traffic from air as from the rail ferries.

How they would go for fuel efficiency is anyone's guess.

And fuel of course, as carless days draw closer, was a subject for much discussion in the first half of the year. We now have incentives for persons wishing to switch to natural gas for vehicles, we have restraints on motoring and we have no real effort to upgrade long distance public transport in an effort to dissuade car use and yet allow people to continue to travel around.

American figures show that a 40 miles a gallon car carrying four people achieves about 250 passenger miles a gallon, whereas even a Boeing 747 jumbo can manage only 50 passenger miles per gallon.

"Best buys" in energy, when measured in this way are, 40 miles per gallon cars carrying six, buses (slightly better) and well filled trains (way ahead). The snag is to get say 300 to 600 people all wanting to travel by train at the same time to the same destination.

Ironically, Kapuni gas is largely committed at present and if more LPG is to be used on the roads, we'll have to wait a year or two before Maui LPG is available. Compressed natural gas can be used and is available, but the necessary gas cylinders obviously take up more space than LPG cylinders.

In the second half of the year, the Government is expected to concern itself with several transport matters. A Carriage of Goods Bill should be debated, a review of road transport licensing should be completed, and an effort to reorganise urban passenger transport will no doubt continue to face opposition from local authorities asked to pay a share.

NBR BUSINESS WEEK

Six-monthly Survey

Business sector seeks public goal definition

by Peter V O'Brien

HALFWAY through the year, and the day before the Budget, industry and commerce face uncertainty. The Budget may remove some doubts on the economy's future and structure, but the document cannot change the effects of the last six months.

High interest rates, an increase in the inflation rate, energy costs, the eventual flow-on effects of price rises for imported commodities, slackening demand, a shortage of skilled labour and the lack of overall public goals are the main problems facing business as it heads into the second half of 1979.

Some of these problems have been submerged in the euphoria of the daily press' business pages as public company results for 1978-79 come to hand. Headlines announce higher dividend payments, bonus issues, and increased profits in dollar terms. So why is there a decline in confidence?

The first reason is the historical element in company reports. They relate to a period which ended three months ago, and which reflected the economic stimulation of 1978.

Secondly, the large number of higher dividend payments and-or bonus share issues restore only part of the eroded return on shareholders' investment. While they have an effect on share prices (through the technical interaction between dividend yields and prices), their influence on confidence in equity investment is small. The returns available on alternative investment in both the public and private sectors force companies to improve the payout to shareholders.

The cost of money is generally accepted as being in the region of 15 per cent, compared with about 13 per cent in the middle of 1978. The resulting effective cost of new plant, coupled with a decline in demand, has led to a drop in capital investment.

The recent annual report of UDC Group Holdings Ltd, a major finance house, referred to resistance against the present cost of money. Potential borrowers are deferring their programmes, because finance company lending rates have increased in the wake of the increased returns paid to investors in the companies' debentures and unsecured notes.

The interest rate debate gets sidetracked by concentrating on the effects, rather than the causes, of the present rate structure. An interest rate only reflects the underlining economic conditions. In the last six months there has been an unsustainable expansion in the money supply and private sector credit, with the Government's budgetary deficit being the main cause. The authorities were forced to lift public sector interest rates in an attempt to finance the deficit, and to bring monetary and credit expansion back to a reasonable level.

The private sector adjusted its rates to keep up with the Government. High credit expansion has an eventual effect on the inflation rate (although other factors come into that economic indicator), on demand and wage claims.

Arguments about interest rates are sterile, unless they include an assessment of the basic economic policies and conditions which are reflected in the rates.

The Government's action to tighten credit is necessary, but it still shows the "stop-go" mentality which has affected the New Zealand economy throughout the 1970s.

The retail industry's experience is a result of this mentality. The growth of retail turnover is now falling after rapid expansion in the last quarter of 1978. Total turnover in the March quarter of 1979 was 5 per cent higher than in the same period of the previous year, after adjustment for price increases. The December quarter of 1978 showed a 6.2 per cent increase over 1977 when calculated on the same basis. The monthly movements, which are expressed in current dollar terms, indicate a continuing fall in growth.

External factors will compound internal problems in the next six months. Prices on overseas commodity markets are moving up rapidly as the international economy reacts uneasily to the costs and availability of oil. The gold price always receives publicity, but other commodities, particularly metals, are increasing in price.

While the commodity markets represent only a small proportion of the goods actually bought and sold, the forward contract prices for raw materials on those markets are a rough guide to future "off market" developments.

They suggest that New Zealand manufacturers will soon pay substantially higher amounts for imported raw materials unless international action sorts out the worsening oil problem. The United States appears unable or unwilling to adopt an energy policy, probably for political reasons. The folks back home may react adversely to Congressmen who support a "turn your swimming pools down to 20 degrees" policy.

(On a mild day in Wellington two weeks ago, a United States expert was explaining energy policy at the American Embassy. The central heating was turned up to a stifling level, in line with Stateside practice, but of course they were using our energy, not theirs.)

There are some bright signs in New Zealand's stars. Manufactured exports are moving into another growth phase after a static period. They should receive another boost in the Budget. Local companies are assisting in the export drive by setting up plants overseas, which use New Zealand made components, and thus ease the freight rate burden and the expensive "finishing" which is often a dead cost on our exports. Improved export prices for primary produce have cut back the deficit in the overseas exchange transaction, although our deficit is still high.

Businessmen will be looking to the Budget for a sense of direction, after allowance for circumstances beyond our internal control. If they find direction they will plan for development and investment. If direction is absent, and the Budget is another piecemeal affair, they will continue to operate on a day-to-day basis which will only aggravate their present difficulties.

Analysing annual accounts

by Peter V O'Brien

FARMERS Trading Co Ltd annual report shows the increase in consumer spending after the Government stimulated the economy. It also reveals improved efficiency in the country's largest retail enterprise.

The Farmers increased sales 19.3 per cent to $125.5 million, while net profit jumped 46 per cent to $4.7 million. The return on the sales dollar therefore went from 3.04 per cent in 1978 to 3.74 per cent last year. But the company's tax position distorts the "true" return on sales.

The removal of the trading stock adjustment raised the tax ratio from 30.9 per cent pre-tax profit to 44.7 per cent. Comparison of pre-tax profit to sales for the last two years gives a better indication of the company's performance.

Pre-tax profit was 6.76 per cent of sales in 1978-79, compared with 4.4 per cent in the previous year, after provision for deferred profits on time payment debtors. That provision is equivalent to the "provision for unearned income", which appears in the accounts of finance companies. A term credit transaction contains future profit when it is written, so an adjustment has to be made for the amounts coming to revenue in later accounting periods.

A solid increase in credit transactions lifted the provision from $715,538 in 1978 to $1,789,641 last year.

The 1979 report includes a chief executive's report, in addition to the chairman's review. The former is an innovation, which provides readers with more information on trading, and on matters related to the company's general administration.

Company General Manager, A T M Williamson reports that Farmers is "now reaping the real benefits" of the time, money and expertise put into the 280 Point-of-Sale computer system, as expanded sales bring substantial productivity gains.

The improvement is seen when staff numbers are related to sales value. This relationship is a rough guide to productivity in a retail establishment, although it has two flaws. First, the calculation is subject to adjustment for price increases. Second, an inter-company comparison of sales per person is unable to take account of the different organisation structures which may be needed in particular retail groups. But the figures give some indication of efficiency and productivity in the industry, although staff numbers may fluctuate over the year.

Farmers' 2689 staff (at year end) averaged $46,660 each in sales last year. In 1978 the year end total of 2659 averaged $39,804 each. Sales per staff member in dollar terms therefore increased 17.22 per cent over the year.

The company's balance sheet shows the effects of a higher level of trading, with substantial changes to items in current assets and current liabilities. Farmers, unlike many other companies, refers to the movements.

If those explanations were absent, shareholders could have cause to wonder at the state of the balance sheet. Inventories stood at $32.4 million at March 31, compared

FARMERS' STAFF...I'm selling my $46,660.

with $28.9 million a year earlier, while trade debtors jumped from $14.9 million in 1978 to $21.2 million after allowance for deferred profit on time payment transaction.

While the increase in stocks may seem high, the inventory was a lower percentage of total assets than in 1978. The comparable figures were 40.9 per cent last year and 45.2 per cent in 1978.

The relationship is relevant to the present state of the retail industry. Retail turnover has eased in recent months, in line with tightening credit conditions, the removal of subsidies, and the increase in a wide range of service charges. Discretionary disposable income in the economy is lower than at the beginning of the year.

The changing conditions are referred to in the chairman's review:

"Sales since balance date have continued to increase, but at a lesser rate than in the period prior to March. Increases in sales tax and petrol prices plus the possibility of carless days will no doubt have some adverse effect on turnover. We are confident however, that the marked increase in efficiency we have achieved over recent years will stand us in good stead in the coming year".

That comment is relevant to the company's return on investment this year. Farmers earned 11.2 per cent on shareholders' funds last year, a figure which puts the profit increase into perspective. While it was higher than the 10.3 per cent recorded in 1978, the return is fairly low when compared with other well performing companies, and was only marginally ahead of the 11.1 per cent earned in 1976.

But the Farmers consistently does better than comparable retail organisations, and will probably maintain its record in the period to March 31, 1980.

Farmers' annual report provides shareholders with the information they need to assess the company's performance over the last year. But the information is provided at comparatively low cost. The document is only 16 pages, including the covers which are photographs of group activities.

The result shows that companies have no need to involve themselves in heavy expenditure to get the story across.

Exchange rates

As at 14 June 1979 $1 NZ is worth:

Australia	.9432
Britain	.4966
Canada	1.2228
Fiji	.8696
Japan	228.63
West Germany	1.9814
USA	1.0427
Austria	14.61
Belgium	31.80
China	1.6284
Denmark	5.7177
France	4.5840
Greece	38.52
Hong Kong	5.3083
India	8.2738
Italy	884.54
Malaysia	2.2976
Netherlands	2.1725
New Caledonia & Tahiti	83.47
Norway	5.3899
Pakistan	10.16
Papua-New Guinea	ON APPLICATION
Portugal	51.72
Singapore	2.2837
South Africa	.8708
Spain	68.53
Sri Lanka	ON APPLICATION
Sweden	4.5483
Switzerland	1.7949
Western Samoa	.7524

Selling rates supplied by CBA Bank.

Key indicators

		Current Period	Previous Year	Per Cent Change
Consumers Price Index – all groups base Dec 1977 = 1000	March 79	1126	1020	+10.00
Building Permits Issued	Feb 1979	$94.7m	$87.7m	+89.00
Official Overseas Reserves	Feb 1979 yr	$1120.1m	$1108.7m	+1.0
Registered Unemployed — incl those on special work schemes	April 1979	$846.1m	$1018.8m	-19.0
	May 79	49,610	39,580	+25.0
SECO Share Price Index	June 14, 1979	330.73	325.85	+1.0
Reserve Bank Share Price Index	June 13, 1979	1390	1387	+1.0

Inflation fears push up commodity prices

by Peter V O'Brien

PRICES for basic industrial commodities are rising strongly on international markets. Fears of rising inflation in the wake of world oil problems and special circumstances affecting particular products are the main reasons for the movement.

The gold price lead the upward trend. The London Bullion market price climbed to $282 an ounce last week, and may go even higher in the absence of new international initiatives on oil.

Other commodities are participating in the surging prices. Coffee prices reached their highest level for a year in London last week. The forward contract price for September delivery reached 1875.5 pounds a tonne, before coming back to the 1850-1860 pounds a tonne range.

Overseas reports suggest that the effect of frost damage in Brazil was the main reason for the increase. Coffee prices peaked this year at 1893.5 pounds a tonne for forward delivery, compared with 1766.5 pounds a tonne in June, 1978.

Cocoa also had a boost. The top price this year has been 2041 pounds a tonne, while the "low" was 1589 pounds a tonne. Last week the "shipment" price was 1809 pounds, while the "future" price (for delivery in September) stabilised at 1737.5 pounds. In June 1978, the future price was exactly 100 pounds a tonne lower.

Aluminium prices have received attention in this part of the world, because of the effect on Comalco's share price. While all metal prices tend to move together, aluminium is affected by special circumstances. Alcan has declared force majeure on its contracts after closing three smelters in Canada as a result of strikes.

But the less "glamorous" metals are also attracting strong support. The price of lead for delivery in three months is now more than double that of June, 1978.

The top price this year was 701 pounds a tonne, but the market has now eased down to the 630-640 pounds region. In June 1978, lead for September delivery was trading at 321.75 pounds a tonne.

The Russians are apparently pushing up the price, but reports from London also refer to "speculative interest", which could be taken as an outcome of the general uncertainty over the world economy.

Lead has several applications, with the automotive battery market being among the most important. Continuation of the present trend should eventually show up in higher costs for battery raw materials, although the price on commodity markets (as in all materials) does not necessarily flow through immediately, or exactly, to large scale purchases by industrial users.

The three month copper price lacked the rapid movement of other commodities, but there is still a sizeable rise over the last 12 months. Three months copper is now past 900 pounds a tonne, compared with a "high" for 1979 of 1073.5 pounds a tonne and 749.75 pounds in June, 1978.

Nickel has been among the spectacular movers this year. On June 8, International Nickel Co (Inco) increased its price 15 cents a pound. Inco is the world's largest producer, and its prices set the trend for the industry. The Inco increase followed a 35 cents a pound lift in prices quoted by Le Nickel of France, which has substantial interests in New Caledonia — the "nickel island".

The London Financial Times reported that the Inco price rise was less than expected, leading to a reduction in quotations on the London Metal Exchange.

The three months quotation is still 700 pounds a tonne, or 27 per cent, higher than a year ago. The "free market" price moved up about 50 per cent in the same period.

A similar trend has occurred in other products. Silver prices are 45 per cent up on last year, rubber has increased 15.5 per cent, mercury (quicksilver) by 148 per cent a flask, and zinc by 16 per cent. Tin has settled at 8 per cent above the June, 1978 figure, after recording an increase of about 10 per cent earlier this year.

These movements will affect the raw material prices of New Zealand companies in time, but the country receives a benefit from similar changes in primary produce returns.

The rapid increase in meat prices is well known, because it affects directly the local price, and shows up in the food group of the Consumer Price Index each month. Animal by-products are also providing New Zealand producers with good income, particularly in the hides and skins market.

A worldwide shortage of raw material for the leather industry lead to price movements of 60 per cent and more (depending on type) in the last six months.

Price changes were so rapid in the first quarter of the year that New Zealand hide and skin dealers and tanners had difficulty in giving sensible quotations, or in planning production (tanners) relative to their costing systems.

Commodity prices are high now, but they may go higher, based on a peculiar piece of traders' folklore. There used to be a saying in the commodity world that when the pepper price went through the roof the next bear market was imminent. Pepper today is below the level of 1978, and seems to have stabilised, at least in the short term.

MPs stretch talent to investment analysis act

by Peter V O'Brien

POLITICIANS have an extraordinary ability to get in on an act when the act is almost over.

The comments last week of those distinguished investment analysts, Labour's Richard Prebble and Roger Douglas, on share purchases in export oriented companies are an example of this ability.

While suggesting that there had been a Budget leak over possible changes to the system of export tax incentives, the MPs referred to share sales in UEB Industries, Wattie Industries, Feltex, Tasman, and NZ Forest Products. These were supposed to be examples of people cashing in on what might appear in the Budget.

Prebble and Douglas might be surprised to learn that for many months institutional and private investors have been reorganising their portfolios away from consumer oriented companies operating almost exclusively on the local market to groups with a good export trade in products which use locally produced raw materials.

This newspaper, many other publications, investment advisers, and sharebrokers have regularly made recommendations on companies involved in exports.

There were two reasons for suggesting that portfolios include companies of this type. The first was the general assessment that export growth, and assistance towards that growth, is essential if New Zealand is to set itself on the path to recovery.

The second reason was common knowledge that a new scheme of export taxation concessions was under study. That process has been going on for 18 months. It is an attempt to base the system on domestic raw material content, added value including labour costs, and on actual dollar value of exports, rather than the present method of relating increases in exports in any year to a base period.

The "Mark I" scheme was scrapped last year (NBR, October 4, 1978) after complaints from manufacturers that it "did not apply the concept of net foreign exchange earnings in a way which was fair, accurate, or had simplicity of application" (NZ Manufacturers' Federation, Manpress, September, 1978).

Prebble and Douglas have suddenly discovered, partly through reading NBR that officials had discussions with manufacturers. This has apparently resulted in investors making a killing by buying shares in the companies listed.

Labour politicians can probably be forgiven for their ignorance of what goes on in the dreadful capitalist sharemarket, so a few more points can be brought to their attention.

Perhaps someone "leaked" other possible Budget moves, particularly in the tourist industry? Last week the large sales of shares in the Mount Cook Group, which were a feature of sharemarket trading earlier in the year, built up again, and the share price increased 10 per cent (from $1.50 to $1.65) in three trading days.

Do the price movements, and volume sales, in companies involved in compressed natural gas and liquefied petroleum gas indicate another Budget leak of proposals for development of alternative energy sources?

Prebble and Douglas may think so, but anyone who is close to the market knows that recommendations to buy shares in these companies have been circulating for the last three months.

While the investment experts in Labour's ranks are concentrating on the "big boys", they have ignored what happened in second line stocks.


INVESTOR INSIGHT

Donaghys Industries, involved in exports, closed 1978 at $2.40 and went up to $2.85 (an increase of 18.75 per cent) before settling back to $2.55. Wilson Neill, another food exporter, started the year at $2.95 and sold last week at $3.25, an increase of 10.2 per cent, after previously being at $3.30, or 11.8 per cent above the opening price this year. Salmond Holdings, also in food exporting is priced at $2.75, compared with $2.20 in December, a movement of 25 per cent in the period.

Auckland-based Smith-Biolab, exporting various good, lifted its share price 17.5 per cent since the beginning of the year.

Pastoral companies have averaged price increases of between 15 and 20 per cent, as they report improved results and attempt to boost their exports.

Politicians are busy people, studying transcripts of vetoed television documentaries, pointing out various other sides of New Zealand life, and generally making unlistened to noise on every conceivable subject. It is probably understandable that they manage to read only the front pages of this newspaper.

If they turned their eyes to other sections (including, may it be modestly suggested, this column) they would find regular references to the "big boy" companies which they seem to dislike, and to companies mentioned in the preceding paragraphs.

All the groups considered here are still good buys for investors, at least until tomorrow, when we may see what the Government will do for industries and firms which earn overseas exchange.

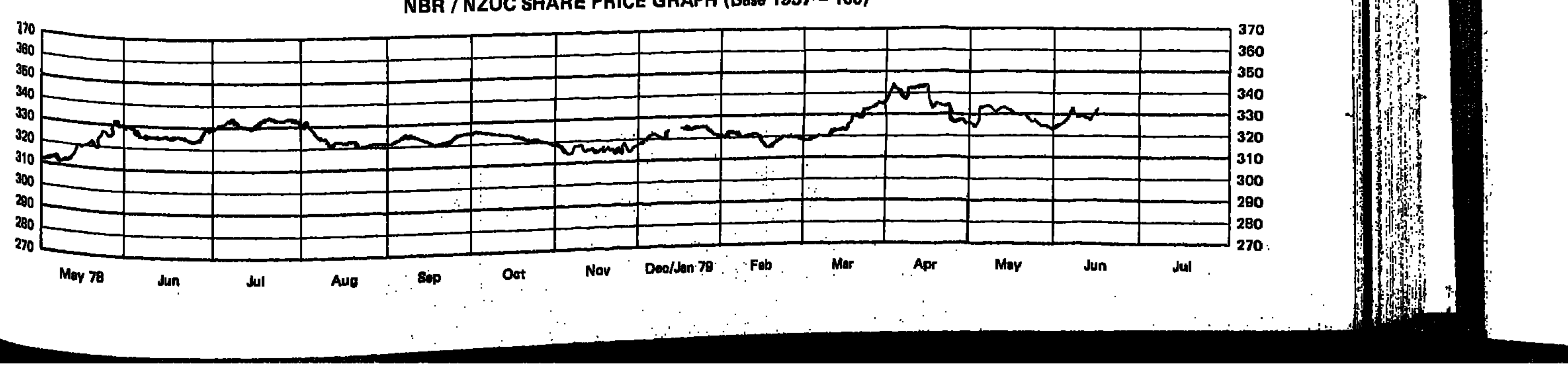
NBR SHAREMARKET SURVEY

WEEK ENDING JUNE 14, 1979

1979 High	1979 Low	Company	Last Sale	Week's High	Week's Low	Dividend %	Reported Turnover	Dividend Yield	P-E Ratio
110	100	AIRWORK,50C	110	110	110	12.0	200	5.5	4.3
220	190	AJAX G.K.N.	218	220	218	13.0	2400	6.0	4.3
110	90	A.J.WHITE	110	110	110	11.5	4100	10.5	4.8
150	110	ALCAN,50C	110	110	110	20.0	300	9.1	3.8
255	230	A.H.I.	236	243	236	14.0	5640	5.9	5.4
76	65	ALLIANCE,50C	66	67	65	14.0	7800	10.6	3.4
240	230	ALLIED FARMERS	240	240	240	14.0	7800	5.8	5.3
130	124	ALLIED PRESS	125	125	125	11.0	400	.0	5.4
220	220	ALLOY STEEL	220	...	...	15.0	0	6.8	8.7
212	185	A.M.BISLEY, 50C	190	190	190	25.0	500	6.6	5.2
96	80	AMPOL PET.,50C	80	80	80	11.0	1500	6.9	12.5
145	125	A.BEAVEN	130	130	130	12.0	25100	9.2	5.5
125	110	A SPRINGHALL,	110	110	110	14.0	6100	12.7	3.6
260	245	A.WRIGHT	245	245	245	17.0	3200	6.9	3.0
250	190	A.BARNETT	250	250	240	14.0	1100	5.6	4.0
150	125	A.ELLIS	125	125	125	12.0	600	9.6	3.8
330	287	ARTHUR YATES	305	305	300	17.0	9900	5.6	5.5
315	285	ASHBY BERGH	285	285	285	22.5	1100	7.9	4.9
260	205	A.S.PATERSON	250	...	...	15.0	0	6.0	6.3
215	175	A.B.CABLES	215	215	215	16.5	5100	7.7	5.5
68	49	ATLAS, 50C	52	53	52	10.5	22300	10.1	3.1
355	310	AUCK.GAS	365	365	365	12.5	500	3.4	8.4
225	190	AURORA,50C	190	190	190	21.0	2900	5.5	10.2
		A.C.I.	198	...	...	9.0	0	4.5	7.0
93	72	AUTOCRAT HOLDS	72	75	72	8.7	2000	12.1	4.0
79	50	BAILLIE,50C	79	...	...	11.0	0	7.0	8.9
82	72	BALLINS,50C	79	79	79	12.5	6500	7.9	5.2
465	400	BANK. N.S.W.,$2	400	425	400	16.0	2300	8.0	5.8
82	53	BEACH PETR.,50C	53	...	...	...	0	...	...
86	63	BING HARRIS, 50C	81	86	81	11.5	68300	7.1	5.1
185	165	B.N.Z. FINANCE	167	167	167	12.5	600	7.5	8.3
54	42	BRAMBLES BURNETT,50C	45	46	45	12.0	1700	13.3	3.1
56	50	BRIDGEVALE,50C	56	...	...	6.0	0	5.4	6.2
250	201	BRIERLEY, 50C	230	234	230	24.0	16600	5.2	5.3
77	65	BOS, 50C	72	72	72	16.0	4000	11.1	6.7
66	56	BROADLANDS,50C	56	57	56	14.0	74400	12.5	5.9
1440	1120	B.H.P.,$2	1140	...	...	16.2	0	2.8	30.9
95	90	BROTHER, 50C	90	90	90	20.0	500	11.1	4.0
65	60	BUNTING,50C	65	65	62	11.0	10400	8.5	9.0
158	150	BURKES CAT.,50C	152	...	...	22.5	0	7.4	5.3
148	126	C.P.D.	143	143	138	14.0	24900	9.8	3.9
185	170	C.F.C.A.	185	185	180	15.0	5900	8.1	6.1
180	130	C.F.M.	170	170	170	14.0	1400	8.2	4.0
150	145	CANT.FLOUR	150	150	150	15.0	1900	10.0	6.2
190	140	CANT.TIMBER	190	190	185	...	12800	...	...
290	160	CAPITAL RADIO,50C	270	275	270	...	400	...	77.1
58	53	CAPITAL LIFE,50C	55	...	...	10.0	0	9.1	9.8
310	230	CARBONIC ICE	230	230	230	14.0	1200	6.1	4.5
225	208	CARTER HOLT	218	218	215	15.0	5800	6.9	4.5
188	155	CERAMCO	175	175	173	14.0	28400	8.0	5.1
216	180	CHALLENGE	203	204	202	12.5	18200	6.2	5.5
105	85	CHENERY	97	93	93	10.0	300	10.8	3.4
150	115	CH'CH.GAS	150	150	150	2.5	600	1.7	6.1
260	220	CH'CH PRESS	260	...	...	14.0	0	5.4	12.2
35	28	CITY REALTIES,10C	32	32	32	14.0	2600	4.4	18.8
150	80	CLASSIC FASHIONS,50C	85	85	85	15.0	300	8.8	3.3
95	85	CLYDE ENG.	86	86	86	16.0	11200	18.6	6.3
210	148	COL.MOTOR	210	...	...	13.0	0	6.2	4.7
150	122	COLYER WATSON	136	136	135	...	1400	...	...
350	280	COMALCO,50C	345	350	345	25.0	4600	3.6	13.0
120	102	COMMAND	103	103	102	12.5	12400	6.1	3.6
		COM.BANK AUST	320	...	...	16.0	0	5.0	6.3
175	140	CON.METAL,50C	160	160	160	16.0	11000	5.0	6.4
[illegible]	3	CON.SILVER, 4C	3	3	3	...	1500	...	...
250	180	COOKS WINE	205	210	205	6.0	3500	2.9	6.2
133	90	CORY-WRIGHT	100	100	100	11.0	2100	11.0	3.9
260	200	CROWN CONSOLIDATED	210	210	200	15.0	13300	7.1	6.0
490	404	C.S.R	490	...	...	15.0	0	3.1	14.0
112	90	CYCLONE,50C	110	110	110	12.0	2000	5.5	6.1
250	195	DALGETY(N.Z)	197	198	197	12.5	9800	6.3	9.1
53	41	DALHOFF & KING,50C	51	51	50	12.0	2900	11.8	4.9
295	250	DEANES	280	280	280	12.0	400	4.3	4.5
155	135	D.I.C	135	135	135	12.5	300	9.3	11.1
170	165	DINGWALL & PAULGER	160	...	...	...	0	...	...
140	90	D.MCL WALLACE,50C	135	135	133	11.0	17000	4.1	7.0
80	70	D.I.B.A	70	...	...	8.5	0	12.1	23.3
101	90	DOM.BREW.,50C	97	98	97	17.0	37300	8.8	4.9
285	225	DONAGHY'S	225	255	225	15.0	1400	6.7	4.3
260	235	DONALD REID OTAGO FARMER	240	...	...	16.0	0	6.7	6.8
91	82	D.R.G.,50C	82	83	82	13.5	20600	8.2	4.6
235	114	DUNLOP (AUST)	235	...	...	10.0	0	4.3	12.9
255	200	DUNLOP (NZ)	230	230	230	20.0	1500	8.7	3.1
113	102	EMBETT	105	...	...	12.0	0	11.4	5.2
95	78	EBOS,50C	91	92	91	12.5	600	6.9	5.8
138	123	E L'SIEIN,50C	135	135	135	18.0	3800	6.7	3.0
90	71	EMPEROR MINES,10C	78	80	78	...	3400	...	2.0
200	185	EQUIT.BLDG	107	...	...	12.5	0	11.7	8.8
116	90	E.ADAMS	195	195	195	12.0	200	6.2	5.8
70	63	F.I.C.,50C	94	94	90	15.0	35400	8.0	5.2
109	97	F.WAIMAK,50C	63	63	63	12.5	1000	9.9	4.2
135	118	FELTEX,50C	99	99	98	17.0	91500	8.6	7.3
225	198	FIRESTONE NZ	122	123	122	...	12800	...	4.7
165	120	FLETCHER	225	225	222	18.0	35000	8.0	4.8
111	95	FOUNTAIN CORP	130	130	130	9.0	1200	6.9	4.5
135	125	FREIGHTWAYS, 50C	100	102	100	16.0	45300	8.0	5.0
145	130	GEAR	126	126	125	5.0	4500	4.0	12.2
150	95	GEN.FINANCE	135	135	130	12.0	5900	8.9	5.8
		G.COURT	95	95	95	11.0	900	11.6	5.5
275	261	GIANT	78	...	...	17.0	0	21.8	2.9
55	45	G.J.COLES,50C	261	...	...	24.0	0	4.6	11.3
35	29	GOLDEN BAY,50C	46	49	46	12.0	11800	13.0	5.2
240	195	GROSVENOR PROPS, 25C	35	35	35	8.0	1000	5.7	14.6
167	160	HALLENSTEIN	210	...	...	16.0	0	7.6	4.3
225	100	HARLEY	165	...	...	11.5	0	7.0	7.0
52	62	HAURAKI ENTERPRISES	198	200	197	30.0	8100	.0	90.0
77	75	HAWKINS,50C	72	72	72	18.0	6300	12.5	1.8
212	160	HAYWRIGHTS	88	90	88	5.0	1300	5.7	36.7
350	265	H.B. FARMERS	210	210	180	...	3700	...	5.8
227	142	HEALING	340	340	340	16.0	2800	4.7	6.2
150	145	H.POLLARD	200	200	200	12.5	37300	6.3	7.9
185	230	HENRY BERRY	145	148	145	18.0	5700	12.4	2.7
		HODDER & TOLLEY	245	245	245	17.0	3100	6.9	5.1
155	154	HOOKER,50C	73	...	...	13.0	0	8.9	6.5
160	106	I.C.I.(AUST)	155	...	...	16.0	0	10.3	4.0
215	185	I.C.I.(NZ)	155	160	155	14.0	1600	9.0	4.9
130	123	IND BROADCASTING	190	195	190	11.0	700	5.8	8.7
115	145	INDEPENDENT NEWS	128	128	128	13.0	400	10.2	7.1
130	118	IND.CHEM,50C	160	160	160	14.5	400	4.5	7.7
155	170	I.W.DOW,50C	125	126	125	16.5	6400	6.6	4.0
245	85	JAMES AVIATION	190	190	190	13.8	1700	7.3	2.7
245	210	JAMES SMITH 50C	245	245	245	16.0	200	3.3	13.5
140	138	J.E. WATSON	245	245	245	16.0	500	6.5	5.6
160	150	J.BURNS	235	235	235	12.5	6700	5.3	117.5
72	55	JOHN EDMOND	150	155	150	14.0	3200	9.3	3.3
135	115	J.WEBSTER 50C	66	68	66	16.0	1600	12.1	5.7
		J.NATHAN	135	135	135	12.0	300	8.9	4.8

1979 High	1979 Low	Company	Last Sale	Week's High	Week's Low	Dividend %	Reported Turnover	Dividend Yield	P-E Ratio
190	170	J.RATTRAY	190	190	190	12.0	8800	6.3	4.7
210	210	KEARNS-OATINA	210	...	...	3.0	0	1.4	25.3
89	67	L.V.RUDKIN,50C	70	72	70	14.0	54900	10.0	3.1
60	45	LANES,50C	55	55	55	10.0	200	9.1	8.7
212	180	L.D.NATHAN	188	190	185	14.0	24800	7.4	4.4
95	75	LEYLAND,50C	90	90	90	15.0	700	8.3	10.6
80	71	LION	79	80	78	15.0	72500	9.5	7.8
35	15	L.&M.OIL,50C	22	27	20	...	32700	...	73.3
255	255	LUSTEROID	255	...	...	21.0	0	8.2	4.0
125	112	MAINZEAL CORP,50C	125	...	...	16.0	0	6.4	4.9
205	165	MAIR,50C	205	205	195	25.0	4700	6.1	5.2
120	100	MANAWATU,50C	120	...	...	16.0	0	6.7	6.4
175	155	MANTHEL	175	175	175	10.0	100	5.7	3.6
190	170	MARAC	185	185	185	15.0	11600	8.1	6.5
140	112	MCALPINE,50C	120	120	120	15.0	1200	6.3	2.7
166	145	MCKECHNIE	160	160	160	12.0	7000	7.5	5.0
70	61	MCKENZIES,50C	65	65	63	11.0	30600	8.5	6.0
		MED.SUPPLIES	235	...	...	12.5	0	5.3	3.4
160	125	MIDLAND	150	150	145	12.0	1100	8.0	6.4
25	12	MIN.RESOURCES,20C	20	20	20	...	6000	...	16.7
72	55	M.O'BRIEN,50C	69	69	68	10.0	700	7.2	5.5
135	113	MONTANA,50C	120	120	115	6.5	20500	2.7	6.9
380	130	M-P.I.M.	145	165	145	12.5	1200	8.6	3.5
140	125	MOSGIEL	130	133	130	13.0	10100	10.0	5.3
62	50	MOTOR HOLDS.,50C	62	62	60	11.0	8200	8.9	3.0
90	75	MOTOR TRAD.,50C	80	80	79	14.0	3300	8.8	53.3
119	100	MSI CORPN,50C	113	113	113	17.0	48800	7.5	4.3
265	150	MT.COOK	165	165	160	13.0	100400	7.9	5.4
405	260	M.I.M.HOLDS.,50C	385	...	...	6.0	0	.8	34.7
200	178	NAT.INSCE	193	193	192	27.0	17900	14.0	4.5
		NAT.PICTURES,$2	172	...	...	5.5	0	6.4	15.1
125	120	NAYLOR	125	...	...	12.0	0	9.6	3.2
		NCF KAIAPOI	115	...	...	4.0	0	3.5	6.1
57	43	NEIL HOLDINGS, 50C	46	47	46	12.0	9600	13.0	3.1
114	98	N.Z.CEMENT	100	100	98	12.5	4600	12.5	8.3
96	81	N.Z.F.C.,50C	95	95	95	14.0	4200	7.4	6.4
192	173	N.Z.FARM FERT.	175	175	173	13.0	7900	7.4	5.8
248	200	N.Z.F.P.	230	230	220	15.0	97700	6.5	7.9
325	238	N.Z.I.G.	300	300	300	17.0	3800	5.7	7.3
253	226	N.Z.I.	227	227	226	20.0	10300	8.8	4.0
30	18	N.Z.LAND,50C	20	20	20	...	1900	...	100.0
106	70	N.Z.LEATHERS	75	75	75	...	1000	...	4.4
111	70	N.Z.MOTOR BODIES	70	70	70	10.0	200	14.3	3.5
136	108	N.Z.M.C	134	136	134	12.0	19400	9.0	4.5
180	165	N.Z.NEWS	178	179	178	16.0	7500	9.0	6.2
220	142	N.Z.PASTORAL	215	215	215	10.0	200	4.7	14.6
35	21	N.Z.PETROL,50C	35	...	...	...	0	...	50.0
93	78	N.Z.REFINING	85	85	85	7.2	100	8.5	5.1
185	165	N.Z.STEEL	180	185	180	11.0	13700	6.1	4.3
160	140	NZTS,50C	153	153	152	18.0	6800	5.9	6.4
370	325	N.Z.UNITED	370	...	...	20.0	0	5.4	8.3
106	100	NIVEN INDUSTRIES	105	105	105	6.0	1800	5.7	10.8
75	67	NUHAKA	75	...	...	...	0	...	...
68	50	ODLINS,50C	58	60	58	13.0	79900	11.2	5.1
88	63	OPTICAL HLDGS, 50C	76	77	76	12.5	1700	8.2	5.7
150	130	PAVROC HOLDINGS	130	130	130	...	500	...	...
108	100	P.D.L.HOLDS,50C	105	105	105	13.0	600	6.2	7.7
90	65	PERM.INVEST	85	...	...	11.5	0	13.5	7.0
112	104	PHILLIPPS & IMPEY,50C	105	105	105	17.5	2200	8.3	5.6
95	75	PRESTIGE,50C	78	78	78	15.0	7700	9.6	4.4
165	150	PRINT & PACKAGING	160	160	160	13.5	2800	8.4	5.7
380	320	PROGRESSIVE	365	365	365	11.5	22500	3.2	5.4
190	132	PROP.SECURITIES,50C	190	190	190	25.0	5600	6.6	11.5
105	100	PRUD.BUILDING	103	...	...	12.0	0	11.7	5.0
90	78	PYE ELECT.,50C	78	78	78	13.0	2500	8.3	8.6
126	123	QUILL MORRIS,50C	123	...	...	14.5	0	5.9	3.7
345	250	RADIO AVON,50C	340	340	335	35.0	900	5.1	7.7
550	280	RADIO OTAGO	500	...	...	20.0	0	6.7	7.7
100	95	REGINA	95	95	95	11.0	300	11.6	2.9
225	183	R & W HELLABY	190	190	188	14.0	15100	7.4	3.3
80	71	REPCO(NZ),50C	78	78	76	12.0	2500	7.7	5.7
6	3	REPUBLIC PET.,50C	6	6	6	...	1000	...	...
255	220	REVERTEX	250	...	...	14.0	0	5.6	5.1
240	228	REX CONSOL.	228	230	228	14.0	1400	6.1	6.9
215	185	RHEEM,50C	200	...	...	12.0	0	3.0	8.5
242	242	RICKSTAN,50C	242	...	...	...	0	...	29.2
112	97	ROTHMANS,50C	103	107	102	15.0	24000	7.3	4.9
280	260	R.W.SAUNDERS	280	...	...	20.0	0	7.1	3.6
275	225	SALMOND	275	275	275	14.0	1200	5.1	5.9
290	210	SANFORD	250	250	250	16.0	400	6.4	4.4
135	110	SCHOFIELD	125	...	...	9.0	0	7.2	8.7
59	52	SCOTT,50C	58	58	58	12.5	1200	10.8	7.8
200	200	SELBY	200	...	...	15.0	0	7.5	4.6
255	225	SKELLERUP,50C	250	250	250	20.0	4600	4.0	4.3
125	110	SMITH, BROWN,50C	125	125	120	16.5	1100	6.6	4.8
190	166	SMITH BIOLAB,50C	188	188	188	15.0	1000	4.0	6.6
145	130	SMITHS C.H.	135	135	135	12.0	500	8.9	4.5
315	274	STH. BRITISH	280	282	278	23.5	22200	8.4	4.8
130	109	STHN. CROSS HOTEL	130	130	130	9.0	1300	6.9	27.1
11	7	STHN CROSS MINS.,20C	7	...	...	...	0	...	...
215	185	S.F.M.	198	198	195	15.0	10200	7.6	5.4
90	75	SPEDDING, 50C	78	78	77	22.0	700	14.1	12.2
105	95	STEEL & TUBE, 50C	104	105	103	16.5	12000	7.9	5.6
155	97	SUCKLING	155	155	150	14.0	1200	9.0	5.4
185	135	TAPPENDEN	180	...	...	12.0	0	6.7	11.8
180	144	TASMAN, 50C	173	175	173	5.0	3000	1.4	16.3
140	120	TAYLORS	140	140	140	13.0	300	9.3	7.9
245	145	TELTHERM	210	210	210	17.0	500	8.1	4.9
86	75	TNL GROUP,50C	83	83	82	14.0	32300	8.4	8.5
425	345	T J EDMONDS	420	425	415	17.5	2000	4.2	6.5
100	80	TOLLEY	80	80	80	10.0	2600	12.5	4.5
90	72	TOUR FIJI	90	...	...	...	0	...	...
45	42	TRANS ASHBURTON, 50C	43	...	...	10.0	0	11.6	4.0
150	120	TRANS HOLDS	147	148	147	12.0	18400	8.2	6.8
115	100	TRANS (NTH. CANT.)	102	...	...	12.5	0	12.3	4.2
165	135	TRANSVISION	160	162	160	7.5	2600	4.7	9.8
158	140	U.D.C.	145	...	...	12.5	0	8.6	5.8
94	80	U.E.B.,50C	88	88	86	17.0	54200	9.7	6.1
95	95	UNITED BLDG	95	...	...	13.0	0	13.7	4.8
135	120	UNITED PUBLISHING,50C	135	135	135	18.0	500	6.7	4.1
85	52	VACATION,50C	79	79	79	9.0	15800	5.7	6.1
150	134	WAITAKI-NZR	137	138	135	13.5	14100	9.9	3.9
300	255	WALKER&HALL	255	...	...	13.0	0	5.1	5.4
97	88	WATTIE,50C	93	96	92	15.0	61700	8.1	4.2
390	330	WGTN.GAS	390	...	...	12.0	0	3.1	8.2
115	90	WILKINS & DAVIES	115	...	...	10.5	0	9.1	8.6
172	166	W.JEFFERY	170	...	...	12.5	0	7.4	4.9
268	230	WILSON & HORTON	238	238	238	17.0	1400	7.1	5.1
135	100	WILSON DISTILLERS	133	133	133	...	1000	...	56.0
330	290	WILSON NEILL	330	...	...	15.0	0	4.5	6.2
93	80	WINSTONE,50C	85	85	83	14.0	22900	8.2	6.1
189	115	W'WTHS (AUST),50C	120	...	...	19.0	0	7.9	5.3
330	300	WORMALD	300	330	330	15.0	400	5.0	4.0
205	170	W.R.CARPENTER,50C	170	...	...	23.0	0	6.8	212.5
125	105	W.SUTHERLAND	120	120	120	...	1100	...	2.2
220	220	ZEALANDIA	220	...	...	10.0	0	9.1	13.6

NBR / NZUC SHARE PRICE GRAPH (Base 1957 = 100)



Bread slowly slices its way back into favour

by Belinda Gillespie

NO longer the staff of life, bread is but one food among many on the supermarket shelves. It has seen hard times — but may be staging a comeback.

Back in depression days, each New Zealander wolfed down an average 82 kilos of bread a year.

By last year, this consumption was down to a miserable 54.7 kilos — a decline of 33 per cent.

The economic importance of bread has gone down accordingly. It takes a worker on the average wage only 10½ minutes of his working week to earn the equivalent of his seven days' supply of bread, if he eats the average of a mere four slices daily.

Though representing only a thin slice of the weekly food budget, the smaller amounts of bread eaten these days are still important in terms of overall nutrition. An average-sized, moderately active man gets 20 per cent of his protein and 16 per cent of his calories from bread.

The more money people earn, and the better educated they are, the less bread they eat. Cheap cereal foods are rejected in favour of higher status animal products.

This trend has been followed in all Westernised countries. New Zealand is no exception.

But bakers believe sales reached their nadir a year or two back, and are now picking up slightly.

Given the relatively small economic importance of bread, even the recent price hikes are seen as having only a negligible, short-term effect on bread consumption — though the big rise after the subsidy was removed in the 1960s, caused a big drop in sales which took years to recover.

More education in the future may mean more bread, as people get the message that the nutrition experts are trying to push.

In Sweden, Government propaganda urges the populace to "eat six slices a day" for the good of its health.

Bread, high in fibre and low in fat is seen as providing a good balance of calories and protein without increasing the risk of various degenerative diseases associated with a diet overloaded with animal foods.

OUR DAILY BREAD . . . bakeries cut from 730 to 70

In 1940, there were 730 bakeries in New Zealand. Today there are about 70.

Most are independently owned. But several have grouped together to form Quality Bakeries for the purposes of promotion of their brands (Homestyle and Freshbake), for bulk purchase and technical services.

New Zealand Bakeries Ltd, a subsidiary of the Goodman group, has bought six or more bakeries previously independently owned, but retained the original owner in operation.

Allied Bakeries is the only overseas-owned bread maker. A subsidiary of the Western organisation, it has two bakeries in Auckland and one in Wellington.

The structure is very different from that in Britain, where two giant bakery chains, Ranks Hovis McDougall and Allied Bakeries, hog 60 per cent of the market. The rest belongs to small independent bakers. They are described as booming in a recent Economist article, while the big ones are in sorry shape.

The small bakers' success is due in part to the trend for crusty, special loaves which they are better able to provide.

Fancy breads have gained ground here, too, specially since what was left of the subsidy, which applied only to standard loaves, was removed in March 1976.

Numerous changes in the market environment include the trend to weekly buying, with storage of bread in the now ubiquitous deep-freeze.

Cars have meant the death of the home-delivery service and, at least until petrol restrictions occurred, people were driving in increasing numbers to local hot-bread shops.

The health-conscious have been turning to wholemeal and high-fibre loaves, while wrapped loaves of all types have steadily risen in popularity.

Inroads into bread consumption have been made by breakfast cereals, highly promoted and generally regarded as a bread substitute.

More meals in restaurants and the increased popularity of fast foods have added to bread's decline.

Despite a definite trend to healthy wholemeal loaves, specially among young consumers, white bread still rules the roost.

Nearly 90 per cent of households buy white bread, and half of them exclusively favour the white loaf.

Only 20 per cent of the bread sold now is unwrapped. The remainder is mostly wrapped in waxed paper, though the closable reusable poly-bag is fast gaining favour.

There have been sporadic calls for legislation to enforce the manufacture of wrapped bread, but the bakers believe there is still a market share for the unwrapped loaf with its crunchier crust.

Millers' monopoly roughens flour

by Belinda Gillespie

NO One needs a licence to set up in business as either a grower of wheat or a baker of bread. But the man in between—the miller—must have a licence, subject to the consent of the Wheat Board.

This had led to a situation of a "monopoly in the middle", which some bakers say doesn't work to the benefit of consumers.

Wheat quality, on which bread quality depends, must meet a minimum milling standard.

Lacking competition, the millers have no pressure to do better than meet the minimum standard, and may refuse to supply a baker who demands a certain quality of flour.

Whether flour meets the standard is determined by giving it a baking score on its performance when baked by a bulk fermentation method.

The bakers say the millers do not give enough recognition to the quality requirements of their industry, though they admit the Wheat Board has made big progress in recent years.

The test on which flour quality is assessed is simply not applicable to most bread baked today. More than 90 per cent of bread is made by the mechanical dough development process, not the traditional bulk fermentation method.

Flour responds differently to the intensive mixing of the mechanical process as compared to when it is left to ferment slowly in bulk. The test for flour quality does not apply nine times out of 10.

The bakers say that the day is past for price controls on bread.

The Government previously said that goods would be removed from control where they were in plentiful supply and competition was good.

The bread industry fulfils these criteria, yet bakeries still have individually to justify their price increases to the Department of Trade and Industry.

Pak battles with bottles

SHOULD New Zealanders be allowed to drink their flavoured milk from UEB Industry's cardboard Pure Pak cartons? Or should the milk industry stick with AHI's glass bottle monopoly?

As milk sales flag, the battle of the bottle goes on from an intense lobbying contest among Government departments to a National Party Caucus Committee.

The case of the humble milk carton will probably be discussed in Cabinet before a solution is reached.

All of which, while it doesn't sell milk, generates business for lobbyists, civil servants, politicians, PR men and admen.

Latest shot in the case for the carton campaign came from UEB's PR consultants, David Brett Ltd.

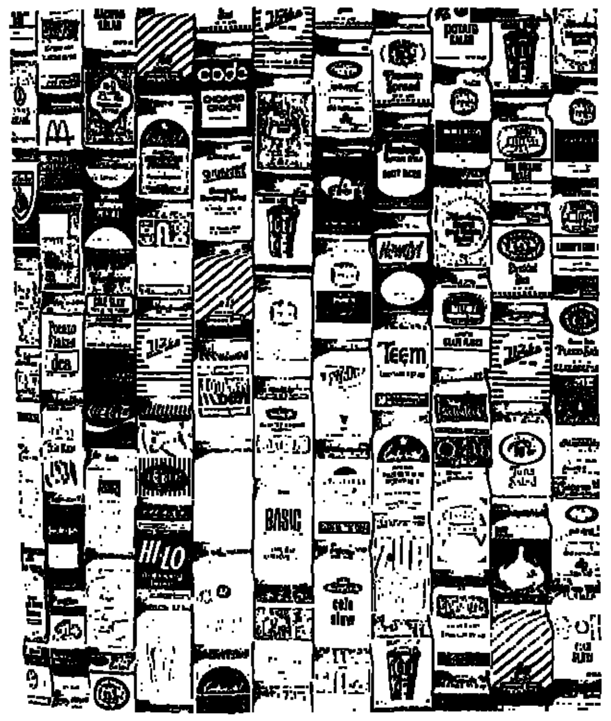
David Brett produced 5000 copies of a glossy eight-page brochure to be mailed to MPs, Government departments, ad agencies, sharebrokers, dairy companies, town milk suppliers, milk treatment companies, major grocers and supermarkets . . . and last, but not least, the media.

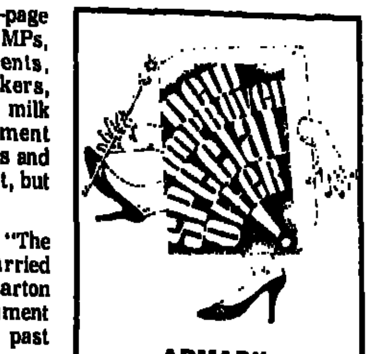
The brochure, titled "The Case for Pure Pak", carried the advantages of the carton versus the bottle, an argument well covered during the past year or so.

But the cover, cribbed from an American Pure Pak News was new.

The Yanks, it seems, have been putting everything from pickles to potato salad, from chopped onion to pimento spread in cardboard.

AHI, with its monopolies on glass bottles and tin cans, has more to fear from UEB's Pure Pak than the initial proposed move into flavoured milk and fruit juice if New Zealand marketeers respond to cardboard as the Americans have.





ADMARK

Senior staffer becomes chief

GLEN Rutherford, a long-serving senior staffer with Dodds Wiggins McCann Erickson, takes over as chief executive for Leo Burnett - Catts Patterson in Wellington on July 2.

He was with DWME for 11 years and latterly as executive assistant to Fred Dodds.

Rutherford takes over the reins in Wellington from Ross Allen, who set up the Wellington office of Leo Burnetts a year ago, just a few months before that agency merged with Catts-Patterson last November.

Allen is returning to his former business, the New Zealand Financial Times and F T Associates, but will still retain working links with Leo Burnett-Catts Patterson.

Dynamic duo push retail

MACHARMONS Associates and Supermarket Advertising will join forces on July 1, following the acquisition of 45 per cent of Supermarket's shareholding by MacHarmons.

Even before the deal is finalised, MacHarmon's colourful chairman, Bob Harvey, and Supermarket's managing director, Rod Squires (alias the Okker Pom) are being billed as the dynamic duo.

"When Bob Harvey and I get our heads together we are going to come up with some mind bending concepts," said Squires. "We're going to put the fun back in advertising."

Supermarket specialises in promotion and retail advertising.

MacHarmons' managing director Bob Bolton said his company was expanding and sought to spread its interests.

Each company would be self-supporting and autonomous, Bolton said. But would co-operate.

Supermarket would lend MacHarmons its expertise in promotional work and retail advertising. And the association with MacHarmons would give Supermarket greater financial muscle.

Squires said he did his own conceptualising but had to go outside his company for artists and copywriters. This work would now be offered to MacHarmons — on a competitive basis with other bidders.

Apart from the financial muscle coming from MacHarmons, Squires said he hoped to draw on MacHarmons in-depth media planning.

The deal was preceeded by a financial reorganisation in both companies.

MacHarmons Associates changed its name to MacHarmon Advertising, and created a new entity, Balmain Holdings, to act as holding company.

At the same time, MacHarmons increased its capital from $30,000 to $50,000 and gave its creative director, John Hanlon, a directorship on the MacHarmon Advertising board.

Supermarket doubled its capital from $15,000 to $30,000.

Squires now holds 45 per cent of the shares, MacHarmons 45 per cent. The remaining 10 per cent in Supermarket is held by Daron Curtis Supermarket's creative man, who has been given a seat on the board.

Pacific Basin draws Lintas

THE growing importance of the Pacific Basin economies is underlined by the fact that the weight of American trade is swinging away from Europe towards Pacific countries.

In the same way there are reports of considerable growth in advertising business in these areas. David Murphy, managing director of SSC&B: Lintas New Zealand, illustrated the point.

"The 15 offices in 10 countries from Pakistan to Thailand to New Zealand," he said, "constitute the fastest growing region in the Lintas network." He will be attending a conference of heads of these agencies to be held in Paris where developmental opportunities will be studied.

Following this, Murphy will be present at a further in-house conference to be held in London which will review the latest developments in the advertising industry, in consumerism and in agency services with emphasis on creative effectiveness.

A visit to the Cannes Advertising Film Festival, in company with Auckland creative director, Ian Mackrill, is on the itinerary as Lintas has a finalist — a commercial for General Finance.

Advertising a non issue

CABINET'S decision not to increase television licence fees and the Prime Minister's statement that the likely increase in advertising revenue this year will cover the television budget give rise to some speculation.

As the PM expected, the two channels would increase both advertising rates and the amount of advertising shown. Is there a possibility of increasing the number of commercial days from five?

The Prime Minister did not believe that Sunday advertising was needed at the moment but "if they came along with a proposition we'd just have to look at it at the time".

How would viewers react to more advertising on the screen, or to more advertising days? There's reason to think, that despite the highly vocal detractors and the vigorous defenders of advertising in all its forms, that the public is not all that interested.

Recently, the British magazine Campaign commissioned a survey by the RSGB research company to explore attitudes to advertising. The social and economic similarities of this country to Britain suggest that attitudes here might not be so widely different.

The survey found that, as a topic of conversation, advertising rated a bad tenth out of twelve possible subjects. Among issues that needed attention or change, advertising rated 8 per cent compared with trade unions at 42 per cent, the government at 39 per cent and education at 30 per cent. There is no importance attached to advertising as an issue in Britain.

There was a general degree of approval for advertising (43 per cent, a little and 33 per cent a lot) while only 10 per cent disapproved a little and 7 per cent a lot. In the same way, 55 per cent of the total like or quite like television ads and 15 per cent dislike or don't really like them.

It is our observation that criticism of television advertising results not so much from the number of commercials exposed to viewers but from frequent repetition of the same commercials within a small time span — a situation that occurs so frequently on SPTV as commercials are rerun to fill out commercial breaks in southern regions.

State shrinks ad dollar

OF THE 12 principal advertisers in a recent Dominionfeature called "Our Environment", seven were Government departments or Government-funded bodies.

The Ministry of Transport's ad dealt with pollution; that of the Department of Lands and Survey with our national reserves; the Wildlife Service, Department of Internal Affairs, quoted Captain Cook on the subject of birds; the Railways talked about energy saving; the Ministry of Works and Development with the slogan "helping the country get along with it's (sic) people" moralised on conservation; and the Water Resources Council and the Soil Conservation and Rivers Control Council combined to run what looked like a do-it-yourself ad on the protective planting of trees.

Now we're all pleased to know that these Government bodies are all conscious of the need to safeguard our environment and are doing something about it and we'd be pretty upset if that was not the commonly accepted attitude of all the arms of Government. But at a time when Government is spending money it has not even got, should these eight different departments or bodies be spending their vote monies on eight different and totally unrelated messages in an advertising supplement?

Unionist prefers grid iron to cheerleading

by Mary Varnham

ROB Campbell is nothing special. At least that's what he'd like you to think. Caught somewhere between the urge to extrapolate and the knowledge that it may all end up in print, he leans back on the sofa and ponders a question about his status.

"I'm just another trade union official," he concludes.

Others don't see him this way. They see him as representative of a new breed of trade unionist — not, as in the past, ex-workers who've got involved in union activities on the factory floor and worked their way up through the ranks, but intellectuals and academics, more familiar with textbooks than timeclocks.

Unlike the Jim Knoxes and Ken Douglases, who cut their industrial relations teeth as workers confronting employers in the workplace, Campbell, and others like him, have come into the union movement somewhere near the top. What they lack in experience they make up for in university education.

Campbell has a BA Honours from Victoria and an M Phil from Massey. His subject — economic history.

Of the "new breed" he is widely considered to be the most effective. He is certainly the most visible.

In his job as industrial officer and advocate for the recently formed Combined Unions office, he represents around 20 unions, ranging from the 9011 member Auckland and Gisborne Shop Employees to the 298 member Blenheim Drivers.

His work covers the waterfront of industrial relations, from negotiating settlements of one-employee disputes to preparing claims for annual award negotiations covering thousands of workers.

He attends job meetings around the country — about half of each month is spent out of Wellington — arranges seminars, researches claims and even writes newspaper advertisements supporting union demands.

On top of this there are appearances on television and radio programmes and, in a bemused gesture towards his academic past, guest lectures to students.

Whatever people think of him — and like any rising star (a term he would hate) he has his critics — there is universal agreement that Campbell is a busy man.

Those who know him invariably comment on his high energy level. He is, by all accounts, a compulsive worker with an enviable capacity for being able to leap from one situation to the next without losing either energy or efficiency. He appears, in fact, to get high on work.

"He's eager to learn," says a drivers' delegate, pointing out that Campbell is part of an extended union approach to the question of conciliation.

"We've always been careful that people who represent workers have come from the ranks and been elected. But in the last five or six years, especially with the Government becoming more involved in the industrial arena, it became apparent we needed to inject something else to combat their expertise."

The point is well taken. Not only are unions having to take more account of Government attitudes, and the possibility of intervention, but they are also faced with the growing technical sophistication of the Employers Federation and other employer groups.

For last month's general drivers award negotiations — one example — the federation hired computer time and expertise to survey drivers' wages throughout the country.

Such developments mean that bargaining has become less of an exercise in cheerleading and more like grid iron football, with new moves being dreamed up even while the game is on. Campbell, and intellectuals (for want of a better word) like him, are fast being seen as an integral part of the play.

Six years ago Campbell was a junior lecturer at Victoria University, with an assured future in the academic world. In the late 60s and early 70s, he had been one of a vociferous band of student radicals, but those days seemed to be over. The Marxist views he'd acquired in his second year of university were still intact but, like most of his contemporaries, Campbell had been absorbed into the establishment.

"I was always a co-opted figure anyway," he admits looking back. "Although I spent more time working for the Committee on Vietnam, HART and so on than on university courses, I was quite good at academic work and so the administration thought I was alright."

In 1974, Campbell took a position as lecturer in economic history at Massey.

The 1½ years he spent in Palmerston North were to be a turning point. In the smaller milieu he began to have an increasing amount of contact with workers in organisations.

He developed a sympathy for the style of trade unions — and a disillusionment with academia.

He was approached by the Wellington Drivers Union to write a history for their centennial and began to spend a lot of time researching in their Trades Hall offices. He soon found himself writing pamphlets on industrial questions and generally getting deeper into trade union waters.

"When they realised they had a captive economist in the office they soon found all sorts of things for me to do," he recalls with mock resignation.

Talking about the recent past seems an odd exercise. Campbell's clearly not given to this sort of reflection, nor to sitting still for long periods at a time, for interviews or any other reason.

Some colleagues are critical of what they see as impetuousness and feel he's in danger of acting without thinking hard enough about the consequences.

In a recent example, Campbell wrote a letter to the Retailers Federation monthly promising further militancy from the Shop Employees Union which he represents.

The Federation picked up on it to support their story that the SEU had secretly decided to join the Prague-based World Federation of Trade Unions ("Shop Union Goes Red").

The implication was that Campbell's association with the Drivers Union, whose president, Ken Douglas, is a prominent figure in the Soviet-aligned Socialist Unity Party, had a part in the decision.

"The retailers' story was a complete fabrication," points out an SEU official, "but the fact remains that Rob's timing was a bit unfortunate."

While there are some who believe Campbell has a greater influence on Douglas than vice versa, a more common view is that Campbell is Douglas's protege.

It's likely that this was truer a year ago than now. In the last few months Campbell has become, unmistakably, a figure in his own right, branching into areas — notably the shop employees — where Douglas is not involved.

I've been on Campbell's trail for a couple of weeks now, huddling over cups of tea with trade unionists who claim to know his innermost thoughts, lunching with employers' representatives who wish they did. (One thing about the employers, though, they certainly have the upper hand in cuisine.)

At 28, Campbell is something of a pheomenon as far as New Zealand trade union officials go. He comes from a good, solid middle class background and was, until he crossed the divide four years ago, a university economics lecturer. He's probably never punched a timeclock in his life.

But it is clear that he has a lot of respect for the popular drivers' leader.

"Ken's incredibly pro-worker in a very practical way," he says. "He has a lot of flexibility and new ideas."

Douglas's long time membership of the SUP makes him an irresistible target not only for politicians on both sides of the House — both Muldoon and Tizard have recently resurrected the tired old ghost of SUP domination of the trade union movement — but also for conservative elements within the movement.

Campbell's close association with Douglas means that some of the sparks will inevitably fall his way.

While Campbell makes no secret of the fact that he is a socialist, he is not a member of the SUP. Nor does he appear interested in any formal connection with it.

Nevertheless, to right wing unionists, known to be anxious to keep Douglas out of the key FOL secretary's job and to employer groups, a Douglas-Campbell, SUP-directed power conspiracy theory holds a certain attraction.

ROB CAMPBELL . . . closer to textbooks than timeclocks.

They point to the fact that subs are going up for the unions Campbell represents, and to what they see as an attempt to build a strong core of people in Trades Hall.

Campbell does not deny either charge, but he does deny that his methods or goals are motivated by the SUP.

"I resent the idea that I'm being seen as a tool of the SUP. The subs are going up in these unions because we want to build stronger unions, no other reason."

Apocryphal though it is, the SUP label is likely to continue to haunt Campbell.

Those who know him well, however, are convinced he is too much his own man to let himself be used by the SUP, or any other political group. He is not known to have any political ambitions and, his friends say, is much more likely to take a class position than an ideological one.

"On any industrial issue, his point of departure would be — how does this affect the workers?" says friend Peter Harris.

The obvious question is whether someone who has not been a worker himself, can realistically relate to union members and their problems. Campbell's easy manner and genuine concern with getting a better deal for employees serve him well in this regard.

"Drivers are fairly pragmatic people," a delegate explained. "They won't tolerate people talking down to them. Rob doesn't do this."

Campbell is, however, conscious that there could be a gap. Colleagues say he goes out of his way to meet and talk with members of his unions, attending at least one rank and file meeting a week.

While he claims to be happy with his relationship with the workers he represents, employers' advocates and some of his colleagues sense that behind his self-confidence is a very real personality crisis. A high school friend made the interesting comment that looking back on those days she felt he could have gone ultra-establishment or ultra-radical.

"In terms of class and values system he fitted more into the establishment," she remembers.

Campbell was brought up in Upper Hutt. His family are what he describes as "typical New Zealanders", conservative and not strongly political. His father, Mac Campbell, is a top executive with the ANZ and vice president of the Wellington rugby union.

Campbell was admitted to the Hutt Valley High School after sitting an IQ test for headmaster Stan Ransom. He was, by all accounts, a good all round student who passed exams with ease and made the ballowed ranks of the first XV.

If Campbell has not had to renounce his background to become a trade unionist, he has certainly had to shed at least a part of it. That he is conscious of this comes through when he talks about his days as a student radical.

"It all seems pretty bloody false now," he says bluntly. "The people involved all came from well-off backgrounds and were really just seizing on overseas trends.

Harsh words, but then Campbell is not one to mince matters. While he is said to be readier to compromise in negotiations than, say, Douglas, this seems to be a difference in personal style rather than goals.

"He's not a horse-trader like Douglas," says an employers' advocate who's sparred with them both. "He speaks quietly, rarely shows anger and attempts to convince by sweet, sensible reason.

"But," he adds, "there's no doubt that he sees it as a class war."

While "war" is probably too strong a word, it's plain that Campbell does see workers and employers as natural enemies.

"They may have some interests in common," he says, "but I personally don't think very many."

His book on the WDU is titled "The Only Weapon", a reference to the union's slogan, "Organisation is the only weapon of the workers".

The phrase might well be his own. Campbell's conversation is liberally peppered with the word "organisation" and he confesses that the concept had a major hand in attracting him to trade unionism.

He works well as head of a team and has, associates say, a remarkable capacity for coordinating ideas. Not for him the creative anarchy approach to problem solving.

"He's against the 'let's get together and throw a few ideas around' approach," says Harris.

Others who have worked with him bear this out, saying his ideas are well formulated, set out in writing and clearly communicated to others in the group.

For advocates on the other side of the table, Campbell's university training (often, ironically, similar to their own), is an extra force to contend with.

"If I were opposing Rob Campbell I would do double the amount of homework," confided one employers' official.

Campbell concedes that his academic background does give him a few advantages. But he feels the importance of so-called intellectuals in the industrial process may be exaggerated.

"The idea of getting expertise is becoming a big go with unionists, but in some ways it's overestimated.

"In my experience the boss doesn't usually care how good your argument is. The great majority of industrial issues are decided on the basis of what the boss can get away with."

It's hard to know whether Campbell really believes this, or is just playing the devil's advocate. Some people detect a self-consciousness about his non-worker background which leads him to bend over backwards in the other direction.

Critics claim he will resort to underhand tactics with employers in an attempt to win favour with the rank and file.

"Tactics can be much more subtle than 'all out at the gate'," Campbell acknowledges. "Putting lots of pressure on employers outside the formal negotiating arena is demonstrably successful."

To the charge that he is trying to woo the workers, Campbell is characteristically sanguine. The danger, he feels, lies in the other direction — that once academics are accepted into trade union ranks, everything they say is taken as gospel.

"This is dangerous because it cuts across rank and file involvement in the union.

"Members have to keep judging work decisions for themselves."

Campbell is known to be worried about being in the position of speaking for union members without being elected by them.

The Drivers Federation conference this April endorsed the view that his position should be elective. This was recommended to the Combined Unions management but as yet no decision has been made.

In the end, elected or not, it is only the results Campbell gets that count.

"If he, or anyone else, doesn't produce what the members want they will no doubt find someone else," said a local delegate.

One thing is certain — intellectuals who turn trade unionists aren't likely to do so for the money. Campbell receives only the same wage as a top driver without overtime and says his income last year amounted to less than five figures.

He and his wife Kate had their first child, a son, 10 months ago and Kate has recently returned to part-time work.

Asked about relaxation, he looks quizzical and finally confesses to a passion for jogging. It's not a sport famous for its restful qualities, but then it's hard to imagine Campbell at rest. As with many high achievers, he appears to have vast reserves of stamina.

The day after returning from an exhausting Drivers Federation conference, he ran — and completed — a marathon.

What are Campbell's ambitions within the movement?

There are some who contend he would like to become vice president of an amalgamated Drivers, Storemen and Packers and Retail Workers Federation under Ken Douglas.

Others closer to him say he hasn't mapped out targets, that his future will depend on where the movement goes.

Although he has lately become more of a front person, he says he would like to see this change.

"I'd like to take more of a supportive, backroom role with other people as spokesmen."

Campbell is conscious, in a way that many old style trade unionists are not, of the need for unions to brush up their public image, especially when there's a temptation to lay bad economic conditions at their doorstep.

According to associates, he is good at "working the press", if occasionally precipitous in his statements.

As time goes by, there will inevitably be talk of top positions. Does Campbell see himself one day secretary, or even president, of the FOL?

"Personally, I think it would be undesirable. I don't have the same empathy with the workers' problems as someone who's been a worker himself, nor the same understanding of trade union problems at rank and file level.

"Ideally, the best person for a top trade union position is an ex-worker."

The normal progression for an academic in the trade union movement, insiders say, is to disappear quietly back into academia.

Campbell agrees.

"That's where you'd expect me to go.

"But," he adds, with an engagingly proletarian grin, "I wouldn't work as an academic again for a million dollars a week."

Value added earns greatest export incentives

Special Correspondent

AFTER the "Budget leak affair" in Parliament last week, most manufacturers (those not lucky enough to have been 'consulted' by Treasury) are still in the dark about tomorrow's Budget announcement on the new export incentives.

The outrage expressed by Labour MPs Roger Douglas and Richard Prebble did little to enlighten exporters about the new schemes except their names and broad principles, which had been publicised over the past year anyway.

The new schemes, they announced to Parliament, will fall under three categories: *export performance tax incentive scheme; export market development incentive scheme and export project grant scheme.*

The principles on which the new package will be based are net foreign exchange earnings, a company's total export earnings and a simplified system which at least maintains the level of current assistance.

Over the past year, detailed discussions have been held with interested parties such as the Manufacturers' Federation, Bureau of Importers and Exporters, Export Institute, Chambers of Commerce, selected companies and a variety of Government departments over the new package.

The final package estimated by one source to be worth $100 million a year, has been widely circulated, as claimed by the Labour MPs, to those interested parties in recent months. These "consultative" papers detail the schemes and how they will operate.

While described by Assistant Finance Minister Hugh Templeton as consultative only, there can be little doubt about their appearance in tomorrow night's Budget.

An overview paper prepared by Treasury states that a fourth principle has been added to the proposed ones. The new incentive will apply only to the amount of added value past a particular point of processing (called the boundary) where input subsidies no longer apply.

"The application of the incentive only from this point will prevent additional subsidisation of those primary products receiving other assistance and will effectively increase the amount of incentive available to processors and manufacturers who add considerable value beyond this boundary," according to Treasury.

The Export Performance Incentive scheme is intended to replace the current Increased Export Taxation Incentive.

It will measure net foreign exchange earnings of total exports by excluding all direct or indirect imported content. Indirect imported content covers both the imported content of current inputs purchased from New Zealand sources and ordinary depreciation on the imported components of capital equipment.

The domestic value added by New Zealand processing and manufacturing industries will be determined by excluding the domestic content added by certain primary industries.

The domestic value added by primary industries will be excluded at specific boundary points in the processing chain. These points will be determined by the first "transaction" with the next level of processing.

"Reducing the added value of a commodity by excluding, for example, the 'pre-farm gate' domestic content will clearly have far greater effect on those commodities with very little added value beyond the boundary," according to Treasury.

"The total amount of incentive available will remain the same, but will be redistributed in favour of those manufacturers who add considerable value past the boundary."

Treasury has prepared a formula for determining the total incentive available. Each commodity or product will be allocated a particular value added category by the use of a "dictionary". This dictionary will classify about 2000 separate commodities into seven value added categories. These categories will have a specified rate of incentive.

Thus, firms will not be required to calculate the domestic content or rate of incentive for each commodity exported by them. They will be able to look up the classification for a particular commodity and keep a running total of the FOB value of exports in each category.

The proposed formula is: Proportion of value added (Domestic content) times FOB sales value times rate of incentive.

Allowance has been made for individual assessment by companies who feel their products have not been assigned to the appropriate added value band. Reasons would include atypical production processes, different input sourcing or significant relative price changes.

Treasury notes: "A firm will not normally be able to apply for individual assessment more often than once a year, except under exceptional circumstances, and the net FOB value of goods assessed will have to be greater than $50,000.

The Export Market Development Incentive (EMDI) scheme redefines the definition of eligible expenditure for export market development. It confines expenditure to that incurred by New Zealand firms overseas. New Zealand-based promotion costs, particularly those relating to market research, will come under the Export Project Grants Scheme.

The other major amendment to the EMDI is the introduction of an advance provision.

Part of the new incentive will be available as a cash advance. The minimum advance will be $1000 and will be no more than a third of qualifying expenditure in the most recent year for which figures are available. Fluctuations will be adjusted at the time to ensure the total rate of subsidy on actual expenditure is maintained at 67.5 cents in the dollar.

The Export Projects Grants Scheme replaces the New Market Grants. Eligible expenditure includes salary and wages directly associated with: research into market feasibility; market development, product design and packaging; wages and salary excluded from the market development incentive.

The overall level of subsidy gives a total assistance of 80 cents for each dollar's worth of eligible expenditure. The grant will be non-taxable but will reduce the expenditure deductible for tax purposes. The remaining expenditure will be ordinarily deductible (at 100 per cent).

Treasury says the grant will be available for a maximum period of three years for any one product with the payments being made in annual instalments.

The grant will be equal to 64 per cent of the agreed amount of qualifying expenditure for the coming project year.

There are fish-hooks however, to this particular scheme. Qualifying criteria state that the market concerned is officially designated as a target market by Trade and Industry in consultation with industry groups each year or with individual firms that had a net export turnover (value added) of over $100,000 the year before.

Farmers face Budget night subsidy cutback

Economics Correspondent

THE ECONOMY

ASSOCIATE Finance Minister Derek Quigley told astonished farmers last month that "the taxpayers' assistance to farmers has reached massive proportions and now accounts directly or indirectly for approximately 40 per cent of net farm income".

Quigley told North Canterbury Federated Farmers that the effect of assistance to farmers reveals a sad story. "Output levels have stagnated, investment is inadequate and profitability is low. This is not only bad for farmers, but is bad for all New Zealanders because it reduces the value of private sector initiative which is the key to improved performance in the agriculture area and in economic recovery."

New Zealand's once great pastoral farming expansion of the 1950s and 1960s has trickled away. Since 1969, the only real dynamism in the farm sector has been in the small horticulture and cropping areas.

Government's past reaction to farm sector problems has been to step up fiscal transfers and other financial assistance to farmers. In the process, pastoral farming has become a heavily subsidised sector. Quigley hinted that this may not be the case for much longer.

In the 1978-79 Budget, grants and subsidies to farmers were increased to such an extent that the Opposition labelled it "the great seat retention scheme". To alleviate the effects of the drought early last year, farmers received direct handouts of 50 cents a sheep, $2 head for beef cattle and $5 for dairy cattle held on Budget night. In total, Budget grants to farmers were $190 million.

If the costs of tax concessions are thrown into the reckoning, the total amount transferred through the Government to farmers last year was probably at least $300 million. When the costs of Government programmes to assist farmers (such as the Ministry of Agriculture and research sponsored by universities and DSIR) are also considered, total taxpayer assistance to farmers becomes even greater. Some pundits have set the figure at closer to $500 million.

Federated Farmers argue that the need for subsidies springs from distortions caused by the protection of other sectors of the economy. In submissions to the Minister of Finance on what they think should be included in the 1979 Budget, Federated Farmers argued that "as more and more sectors have become protected by cost-plus operations, the major export industry (agriculture brings in 70 per cent of overseas earnings) has been starved of resources".

While acknowledging that the 1978 Budget measures boosted farmer returns and confidence, the federation argues that "The current level of assistance does not offset the direct higher costs loaded into the industry by the cost-plus operations of other sectors".

In the long term, the federation is in favour of less Government protection because the "only effective way to achieve the necessary levels of investment in agriculture is to channel more resources into the industry by progressively dismantling the protectionist arrangements which involve increasingly high costs on the farm sector".

But in the meantime, Federated Farmers does not think existing measures of agricultural assistance should be altered too rapidly as this creates uncertainty and some forms of Government subsidy will continue to be both desirable and necessary.

But the farmers' pleas may go unheeded in this year's Budget. Assistance given during the last 10 years has not paid dividends. Increasingly it looks like the farmers have been crying wolf, using low farm incomes as an excuse for assistance while reaping large capital gains on their land holdings.

Despite all subsidies, the sector has failed to regain its earlier momentum and output has virtually stagnated (see "Subsidies, slow switch to new fields", NBR Outlook, May 1979).

By cutting a few farm subsidies, the Government can easily reduce its spending by between $100 and $200 million this year.

And in cutting back subsidies, it appears that the Government will beat the farmers with their own stick. It has become increasingly fashionable for farmers to make statements favouring a more market oriented (private enterprise) approach.

Quigley said: "If you believe in private enterprise, you should be prepared to support the private sector which invariably gets by without claiming on public funds or without too much assistance from the taxpayer. This applies as much to agriculture and agricultural-based industries as it does to other sections of the community."

Perhaps the first indication of the Government's tougher attitude toward farmers was the refusal of Finance Minister Rob Muldoon to let money from the Meat Industry reserve account be used to buy the freezing works at Kaiapoi. Earlier last month, the meat and wool section of North Canterbury Federated Farmers unanimously reaffirmed its support for the purchase of the works.

The Meat Board considers that funds in the Meat Industry reserve account are the farmers' own money, based on the surplus accumulated during World War II when meat was sold in bulk by New Zealand to Britain.

But this is a misunderstanding, according to Quigley. "Despite the origin of the initial fund, the monies are now deemed by legislation to be public monies and are subject to at least some control by the Government in its role as custodian of the public purse."

In the case of the Kaiapoi Freezing works, the Government said that it was not in the long-term interest of the farming industry to support the Meat Board's request for a loan. Compared with the current assets backing value of between $3 and $4 per share, and the most recent share quotation of $1.75, the $7 per share asking price seemed too high by accepted commercial criteria.

Further, while it was a long-term policy of the Meat Board to encourage the establishment of farmer-controlled works, Kaiapoi would not be able to achieve the objectives of a "key works" in the Government's view. The relatively small scale of Kaiapoi's present operation would be unable to have any real effect on regional killing charges or buying schedules.

DEREK QUIGLEY . . . output levels stagnate

It will be interesting to see what form the Government's get-tough-with-the-farmers-attitude will take tomorrow night. Nearly half the $190 million spent on subsidies and grants to farmers went to subsidise the fertiliser price and its transport cost. This subsidy level probably will be maintained, as a reduction could have disastrous effects on the fertiliser industry as well as farmers.

It is unlikely that farmers will again receive a handout for stock held on Budget night. This was estimated to have cost the Government $60 million last year.

And while the Government has promised to continue its Supplementary Minimum Prices Scheme (SMPS), (which provided for a guaranteed minimum price for milk, meat and wool) it is unlikely to raise the level of prices. Federated Farmers wants an increase in the level of all minimum prices to provide "living expenses", farm operating expenditure and new developments.

But if wool and beef prices follow recent trends, some farmers will not have to worry too much about the level of SMPS. In fact, given the increases in farm incomes during 1978-79 and the expectation of continuing (though slower) improvement, raising SMPS next year might have only minimal effects on farmers' incomes. Last year farmers received less than $300,000 from this scheme.

The Federated Farmers wants the taxpayer to pay the EEC levies of over $150 million on lamb and butter on the grounds that these are an expense to the nation, not just the farmer. The Government is particularly unlikely to take notice of this request. These levies signal the growing costs of exporting to the EEC and should provide a strong nudge to pastoral farmers to look for other markets or to diversify.

A Budget that is tough on the farmers should give farmers a pause to think through the costs of becoming a more market economy.

New Zealand Institute of Economic Research economist Rory O'Malley told Otago Federated Farmers that the more market argument "fails to acknowledge the well-known inefficiencies of response in a purely market system, and the numerous problems of the uneven aggregation of market power".

And if the Government wants to restore profitability to the farming sector and give incentives to exporters through measures other than subsidisation, it may have to face the reality of exchange rate changes.

O'Malley said this tool deserves more careful consideration by the Government.

"One does not, for obvious reasons, expect the Government to forecast its own devaluations, but its persistent denigration as legitimate and useful policy is unhelpful," he said.

Slash policy shuts factory

INTERMOLD Plastics' management team miscalculated in its margin slashing policy and was forced to close down its Paraparaumu factory the other day.

The company had exported with a range of innovative products, but ran into difficulties when it began to reduce profit margins in order to gain contracts.

This tendency for Intermold's management to cut margins to attract work, had worried the entire New Zealand plastics industry for the last two years.

It seems that the company's profit margins were producing no more than a 5 per cent return on capital for its two financier owners.

When the raw materials costs began rising, this profit margin could no longer be sustained. The company was sold off to Feltex's Consolidated Plastics Industry, which purchased its debts, assets and in particular, a Johns 75 ounce injection moulder.

The moulder was acquired by Intermold four years ago as part of an aggressive expansion programme.

Intermold attracted wide industry attention when it custom moulded almost an entire hi-fi set for Philips. The project was acclaimed then as perhaps the best example of New Zealand high-finish plastics engineering.

Intermold is the second medium-sized plastics company with a strong history of innovation that has gone out of business in the last 12 months. The first was Plastic Manufacturers whose debts and assets were acquired by the PDL Group.

Industry stays calm

FACED with strict allocation on most raw materials and soaring prices in early 1979, it was measure of the maturity of the industry that this year there had been no panic buying, Plastics Institute of New Zealand president Murray Calvert told last month's conference at Wairakei.

Forecasting that raw material prices would rise still further — perhaps by 60 per cent — Calvert said that there was little scope for optimism.

Calvert said that the institute's latest research indicated that the industry currently turned over some $300 million annually.

"Within that turnover, we calculate an export income of more than $30 million in direct exports and a saving in overseas exchange of about $70 million annually through import substitution."

Calvert said independent surveys showed that indirect exports could equal direct exports "making a fifth of our total production going in export".

Calvert, accepting that the raw materials problem was out of this country's control, has accused the Government of "milking the energy crisis to the last drop".

Calvert said that, in terms of conventional energy sources per capita, New Zealand ranked among the "richest countries" in the world.

"What has happened through inept planning is that we are faced with a shortage of liquid fuels."

Calvert said that New Zealand continued to burn valuable fuel imports to produce electricity while the indigenous natural gas waits under the sea, outside Taranaki, virtually unharnessed in the industrial sense.

He accused the Government of hobbling industry with taxes so that production efficiencies could not be passed on. "If New Zealand manufacturers did not have to pay a hefty surcharge solely to boost Treasury coffers...we could be passing on manufacturing savings in our products."

He stressed the importance of ensuring that politicians were aware of the special nature of the plastics industry, underlining the recent tour of factories by a group of MPs.

Calvert urged the industry to pull together in a common aim to deal with the priority topics such as raw materials and exports, rather than subscription rates.

Freight rate argument

ROAD Transport Association president Bob Martin the other day drew PINZ members attention to severe competition within the transport industry.

"What alarms me is that rail persists in vigorously competing for short-haul freight in areas where it simply cannot make a profit," he told the institute.

"I have heard of contract rates being struck between railways and manufacturers that are ridiculously low."

The rates, he said, were so low, that "no self respecting road carrier would consider working to them unless he was desperate."

The present philosophy of NZR management appeared to be "chase freight at any cost".

In real terms, he said, this attitude contributed to the quite unacceptable losses incurred by NZR.

He said that rail should stick to what it can do best and most profitably — long haul traffic and "it should cut adrift from its stifling Government apron strings".

Railways should put itself in the hands of a public corporation which would place less emphasis on the "social desirability" aspects, he said.

Martin accused the railways of becoming "complacent to the point of irresponsibility". On the on hand, it was protected yet on the other was "allowed to drift into uneconomic operations".

Martin said it was time for an overall plan for the nation's transport network.

Discussing road transport licensing, Martin described it as a "quality control" system, ensuring economic operation and removing the opportunity for fly-by-night operators.

A regulated industry under the licensing umbrella would be far more fuel-efficient than an unchecked growth of operators competing for a limited amount of freight, he said.

Investment returns low

SLOW productivity growth in New Zealand has not been caused by a low level of investment activity, Broadbank general manager, Dr Don Brash, told the members of Plastics Institute.

"By the standard of other OECD countries, our ratio of investment to GNP has been reasonably respectable," he said.

Brash said the problem was low returns from the investment. He said that the reasons for the poor performance were:

Much of the investment had gone into areas with little growth-enhancing effects — especially housing and construction which in 1976-77 had claimed 60 per cent of the $3.4 billion invested in capital goods. Only 16 per cent of the total went into the private sector for equipment and plant purchase.

Of the investment into the private sector, a significant part had gone into producing items that should not have been made here at all — short-run manufactured items with a high production cost.

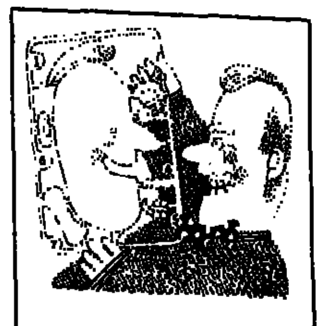
A "chronic tendency" to under utilise capital. A problem that hinged to some degree on the lack of competitive pressures in some manufacturing industries.

Until recently artificial controls on interest rates created a low cost of capital. This had meant that it was possible to use plant and equipment for one shift a day, five days a week, 11 months of the year. In retailing, the average department store was open for 26 per cent of the hours in a year.

Over regulation of industry, especially of new investment projects. This was harming investment from both domestic and overseas sources.

Low expenditure on research and development.

The attitude of employees who often feared that new investment would deprive them of employment.



NZ PLASTICS

Demand races supply

DESPITE the current demand-supply gap, United States companies continue to develop petrochemical resources, Mitsui spokesman Minoru Nishijima, said at the PINZ conference. He said that as far as the United States companies were concerned, the petrochemical industry would always be profitable.

Petrochemical resources were still being expanded to fill long term strategies, he said.

Another factor behind the petrochemical surplus was promotion worldwide by governments who also looked toward petrochemicals as an export earner.

In some oil producing countries, he said, governments started petrochemical industries in order to derive more value from oil.

In European countries, the petrochemical industry was regarded as a major creator of jobs.

He said the basic problem however, was with the supply of feedstock. The United States's feedstock supply was superior to Western Europe's and Japan's because of its plentiful supply of oil and natural gas. "We believe that the United States is getting stronger in feedstock supply — although there may be short-term confusion."

Nishijima said Western European governments were trying to stabilise feedstock supplies by measures, such as joint ventures and North Sea development.

Japan's position was more perilous because the ethylene was almost 100 per cent derived from naphtha — a composition unlikely to change. Oil and naphtha were imported 100 per cent from Asia and the Middle East, so the immediate Japanese aim was to widen its sources to such countries as Mexico and China.

He said production capacity would always exceed demand. Prices would increase "steadily", or even "drastically" due to the demand on aromatics and the Iranian problem.

"We are afraid that the long-term price of Iranian light or heavy will soon reach $20 level and the price of chemical and plastics will be increased accordingly."

Among his suggestions to New Zealand buyers:

- Conclude a longterm purchase contract — at least a quantity contract.
- Deal with a distributor with worldwide information who can locate alternative supply sources in a hurry.
- Buy from reliable chemical companies or from the chemical divisions of the oil majors.

Government searches for 'chief accountant'

by Colin James

THE Government has been looking for a "chief accountant" — a year after it was urged to do so by an Audit Office team and at a lower position in the hierarchy than the Audit Office wanted.

The position of "director, financial management" was advertised from May 30 both inside and outside the public service. Applications closed the other day.

The position called for someone to fill a "newly established position, responsible for the public accounts system and the administration of matters related to financial management throughout the public service."

The salary offered was up to $21,748. This is the equivalent of a director in the Treasury and well below the $24,000 to $25,500 paid to Treasury assistant secretaries.

The Audit Office recommended the position of "Chief Accountant of Government" should be at least at assistant secretary level.

The appointment was central to the Audit Office recommendations to improve what it considered to be "mediocre" financial management in Government administrative departments.

It envisaged he would head a new Treasury division bringing together previously scattered financial management functions.

The Treasury broadly agreed with this proposal and moved last year to create the division.

But the pace of the move has been slowed by ministerial requirements for further departmental investigations.

Meanwhile, the Public Expenditure Committee, which has been looking at the Audit Office report, last week supported the "Chief Accountant" suggestion in its report to Parliament.

The committee also reinforced the "definite and urgent need for improvements in financial management".

"The committee feels that the changes should aim at an integrated approach to revitalising financial management rather than focussing on individual departments," the report said.

The committee said there was a serious shortage of qualified accountants in the public sector.

It said it was "also disturbed at what appears to be a reluctance of the State Services Commission to accept the fact that special attention should be given to this problem."

Noting the public sector's difficulty in holding accountants, the Public Expenditure Committee emphasised "that these highly skilled staff should, where practicable, be involved in the executive decision-making process, in order to effectively use their expertise."

(The Audit Office team said there was an absence of an obvious career structure for highly qualified accountants and a failure to give them appropriate status within departments.)

The Public Expenditure Committee said it had not completed its consideration of the Audit Office report.

But it said it agreed with some recommendations. Among the topics:

- The need for an immediate survey to find out what financial experts are needed in the Government and at what level—and the development of a programme to satisfy the need for training and career development of financial management staff.
- Investigation of the feasibility of establishing a regional financial management service for departments in provincial centres.
- Decentralised budgetary control and delegation of operational and financial responsibilities to managers of activities and district managers.
- Presentation of a policy proposal as a single package, rather than piecemeal—thus requiring departments to set out all staffing, accommodation, equipment and financial implications of the proposal and forcing them to plan more carefully.
- Greater flexibility for departments in purchases and tenders, to reduce unnecessary delays in obtaining requirements through the Government Stores Board. The committee wants a review of Government Stores Board instructions and procedures, possibly with the help of outside experts.
- Departmental reports to Parliament should be in terms of the department's programmes and activities and should specifically relate expenditure and receipts to objectives and achievements. The Public Expenditure Committee wants some departments to do this on a pilot basis this year.
- Immediate development by the State Services Commission and the Audit Office of internal audit procedures by departments.

Singapore office opens

by John Draper

SINGAPORE becomes the target of a major export drive when a New Zealand trade centre opens next month.

Offering permanent offices to exporters, the centre will become a springboard for manufacturers wanting to develop the South East Asian market.

The Government, in last year's budget, instructed the New Zealand Import - Export Corporation to open the Singapore centre after success in Sydney and Los Angeles.

The corporation claims the trade centres' New Zealand style are unique and are now being studied by other countries.

Permanent displays, a common feature of the American-based World Trade Centres, are given little room.

Instead, members who will pay $12,000 a year in Singapore, get a serviced office in which to install their New Zealand or locally employed representative.

The corporation's general manager Stan Stanworth, says permanent displays in public places sell very little.

"It is not the general public who we are selling directly to," he said.

The centre will also provide facilities for visiting members at a lesser fee.

Govt beats round the bush to stimulate exports

Economics Correspondent

THERE will almost certainly be more indirect tax increases in this month's Budget. Last year's indicated the clear possibility of replacing some part of personal income taxation with indirect taxes.

By raising indirect taxation and lowering direct taxation, the Government hopes to restore the incentive for increased individual effort to provide a new impetus to economic growth and a higher standard of living.

If the Government hopes to offset the decline in direct income tax revenue with increased indirect tax revenue, it must put up indirect taxes on goods which will be consumed in approximately the same quantity (demand for the goods will not change) despite the price rise. Economists call demand for goods which does not react to price rises "inelastic demand".

And yet the Government has made the claim that it intends to use indirect taxes as part of its restructuring programme. Indirect taxes are seen by the Government as a way of encouraging exporters and discouraging domestic trading. They are a way of providing an incentive to exporters without actually subsidising them.

By putting indirect taxes on non-essential goods for the local market, it becomes relatively less profitable for firms to sell those goods locally than to export them.

Theoretically, if the price rises of the taxed goods are great enough, local demand will fall and producers will have to look overseas for other markets to sell their excess output.

Demand for locally produced goods must react to price rises (it must fall) before firms will notice any fall in their profitability. Or in the economist's language, demand must be elastic.

But if the Government expects to increase its own revenue from raising indirect taxes, it must be expecting that local consumption of the taxed goods will remain about the same despite the tax. If local consumption does remain at about the same level, local producers are unlikely to feel pressure to look overseas for markets.

It appears that the Government's intention to raise revenue from indirect taxes rather than direct taxes, has not been all that carefully thought through. When sales tax increases were announced last month, many National MPs were caught unaware.

Customs Minister Hugh Templeton is under constant fire from caravan makers, boat builders and potters who say tax rises could seriously affect their businesses.

Most of the sales tax increases adopted from May 17 were on items which are likely to have inelastic demand. The tax on ice cream is an example. Parents and kids may moan about having to pay more for their treat, but they will probably buy about the same quantity as before the tax rise. The Government's revenue will grow as a result.

Arguably, the Government may have introduced the tax on caravans, boats and pottery for other reasons than raising more revenue. Certainly none of these products are necessary to the survival of the local consumer and demand for these products is probably elastic. By taxing them, the Government may intend to be giving a gentle kick in the direction of export.

In the case of the expanding pottery industry, this gentle kick is unlikely to hurt much. Some small individual businesses may fall in the short run. But New Zealand's excellent product is certain to sell well overseas and as the market expands, the small potter will find business conditions better than ever.

Boat builders and caravan makers are unlikely to fare so well. The tax on boats and caravans may result in unemployment. Before the 20 per cent sales tax increase was adopted, both the boat and caravan industry were experiencing a downturn. Already 70 caravan workers in Levin have received notice of likely lay-offs.

Boats and caravans are not essential to local consumption and they are hardly the types of product which could be priced competitively overseas (except in the case of special boat varieties). It may be in the long-term interest of economic restructuring that the caravan and boat industries be scaled down. The materials and labour used in constructing caravans and boats could then be employed by industries geared for export.

But it was not the Government's intention to use the sales tax as a tool for restructuring. Instead of leaving caravan and boat producers with the clear message to adjust to changing economic circumstances, the Government seems determined to offset the impact of increased taxes. Already the Development Finance Corporation is considering providing finance to help caravan makers survive the winter. It would be more straightforward simply to withdraw the sales tax.

With rising unemployment, this may not be the most opportune time for the Government to make hardnosed decisions about economic restructuring. But if the indirect taxes aimed at encouraging exports and discouraging local consumption are introduced in the Budget, we can at least hope that the Government will have thought them through better than its May measures.

Political muscle keeps Safe Air in the skies

by John Draper

AIR New Zealand is taking a long look at domestic airfreight and the future of its Blenheim-based subsidary, Safe Air Ltd.

Two years ago, before the merger of Air New Zealand and NAC, Safe's future was assured.

By 1982, its ageing Bristol freighters would be pensioned off for NAC cast off 48-seat Friendships. A few years later, around 1986, Safe would join the jet age with a hand-me-down Boeing 737. Another Boeing a year or two later would send the two Argosy freighters into retirement.

But the merger, a shortage of aviation gas and the arrival of an independent operator are changing the scenario.

Bristol operations are being cut 30 per cent by Government request to save precious avgas. Air New Zealand has borne the brunt with a 35 per cent reduction in its use of the Bristols for provincial freight services. Rail-Air services are being cut to the minimum contractual level and the Chatham Islands services are being reorganised to conserve fuel.

Both Air New Zealand and the Railways claim the reduction in flights by Safe is not affecting their services.

A seasonal freight downturn is helping, but the Railways are making no secret that they want to end the lossmaking Rail-Air contract with Safe.

Rail-air business has been declining for several years and the Railways claim there is no longer any justification now the Cook Strait ferries have the capacity to carry the 17,000 tonnes airlifted by the Bristols each year.

Despite a 10 per cent rates rise, the service is expected to lose $277,000 this year — a reduction from $331,386 last year.

The Railways have tried once before to cancel the Rail-Air contract but were forced to renew it under political pressure.

The Bristol's monopoly on the Chatham Islands service is also due to end when a sealed runway is ready for use, probably in 1981.

At the time of the merger, Transport Minister Colin McLachlan gave an assurance that Safe Air would retain its identity.

But the introduction of the DC10 with its cavernous belly hold lifting up to 20 tonnes daily between Auckland and Christchurch, and the prospect of a DC8 freighter arriving on the scene sometime next year, is making Safe's future less certain.

Safe's managing director Des Lynskey has asked Air New Zealand to review its domestic airfreight needs for the next five years. Demand for the Bristols will further be reduced when an Air New Zealand DC8 goes into service as a freighter.

Technically it will give the old planes, which Safe has kept airborne with engineering skill, and the judicious purchase of all known spares in the world, a longer life. But the reduction in flying time will almost certainly make their operation less economic.

And there are few aircraft that can replace the Bristols. The Friendships seems to be the only suitable alternative. Air New Zealand's general manager (operations) Allan Kenning says it is the only aircraft which has been seriously considered.

"There is still a lot of work to be done to see if the long-term economics justify the conversion of a Friendship to a freighter," he said.

Safe's services are already being reorganised. Daily Argosy flights between Auckland - Wellington - Christchurch and Dunedin are calling once weekly in each direction at Palmerston North. More freight is also being carried on Air New Zealand's passenger services to provincial centres to make up for the loss of some Bristol flights.

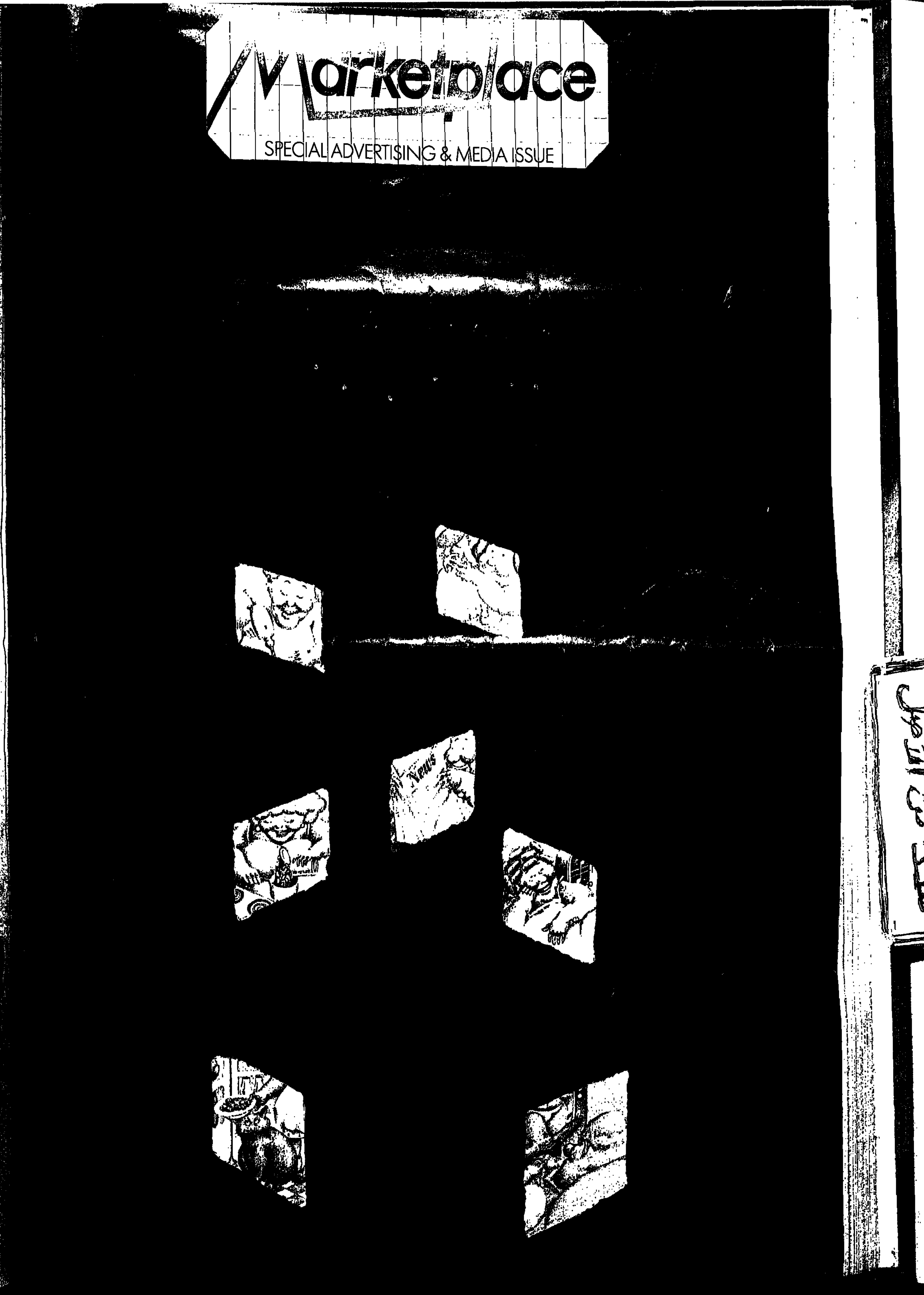
The avgas shortage should be over in July when a tanker arrives from Iran. But the rapidly rising spot price for oil in Rotterdam and the likelihood of Opec further raising its prices next month may force the Government to continue restraints on use.

Regardless, Safe is unlikely to be using its Bristol freighters to the same extent as before the Government demanded a cut back in operations.

Avgas prices have risen by 108 per cent since January 1975 while jet fuel has increased by only 70 per cent. On May 1, 1979, avgas was costing licenced operators, including Safe Air, 25 cents a litre. Jet fuel used by Friendships and Argosys cost 17 cents a litre.

Nationwide Air's two Carvairs lining up to takeoff again will be strongly opposed by Safe Air, specially if before avgas supplies are back to normal.

Nationwide Air was set up to primarily to fly cars over the Cook Strait but quickly expanded into an Wellington-Christchurch-Auckland freight service. Now grounded for lack of finance, the two four engined converted DC4's are under offer from James Aviation Ltd.



Marketplace
SPECIAL ADVERTISING & MEDIA ISSUE

Radio waves spread profits and politicking

by Warren Mayne

A PERIOD for profits, prophets, precedents, politicking, put-downs and turn-ups for the books. This was the year Radio New Zealand hardly needed the slogan "remember your radio" and the year television hit the mark with a soap opera called "Radio Waves".

The 1977-78 years were ones in which sound radio tested the new directions given to it under the 1976 Broadcasting Act, especially the provisions re-opening the issue of private-warrants.

And with the private sector now once again respectable, even statutorily recognised, the period saw an upturn in fortunes in various areas of both state and private commercial operation.

With a new Broadcasting Tribunal empowered — application by application and contested hearing by hearing — to chart new courses for radio's expansion, the first three decisions brought out the prophets and turned up the precedents.

Self-styled innovators were seeking new radio warrants in three areas, all important in their results.

Media gadfly Gordon Dryden, successfully tilted for an all-talk, all-social concern station for Manukau City, a bid just as significant in testing whether the tribunal would wear new commercial competition in major metropolitan areas.

The answer: yes, but under strictly defined circumstances. Not more muzak for muzak's sake, but manifestly different programme options.

Dryden got his warrants, under strict conditions binding him to his format. The decision sent shivers down Radio Hauraki spines in suggesting the tribunal might bind stations—even existing ones—to their public service promises, financial results notwithstanding.

In the long term Hauraki's latest financial results suggested it had few real fears, but the Dryden decision also stated there wasn't going to be any tribunal protection

GORDON DRYDEN . . . tests tribunal

for struggling as it convulsed its way into "beautiful music" away from Dryden's talk format.

In Christchurch hopeful, but untried, Rob McKay headed a bid for a new commercial station there, offering very few original programming ideas other than the implicit argument that Radio Avon was having things too much its own way and RNZ was too inept to trim the existing private operator's sails.

The tribunal thumbs down really said that would-be operators had to have more than good intentions going for them and there wasn't going to be an open season for licences to lose money.

In passing, the super-persistent religious radio enthusiasts of Rhema got their first, permanent chance in Christchurch, albeit on restricted hours.

In its way, this compromise approval opened the way for other special interest groups to assess the possibility of getting radio warrants, with educational and student groups probably being able to test the shared-frequency provision in the Act in the future.

In decision three, the private Goliath, Radio Avon, in applying against NZR for Ashburton and Oamaru, was in effect voicing private claims for equal rights with state radio to give neglected provincial areas coverage.

While spearheading this private foray into the provinces, Avon's case was far too ingenious.

A three-centre proposal, hinging on Timaru, looked more regional than local to the tribunal and the decision in favour of RNZ mini-stations in the two smaller towns raised one nightmare point for the private industry.

A major reason for the tribunal rebuffing Avon was the detrimental financial effect of private competition on RNZ's existing Timaru station, thus signalling official unwillingness to authorise open ; private-enterprise slather that could threaten any established NZR service.

Ironically, RNZ's "Comnet" was doing very nicely, thank you, anyway.

For the first time since television's shadow darkened sound radio's prospects in the mid-1960s, state commercial stations returned an overall, albeit modest operating surplus.

RNZ director-general Geoff Whitehead, had redeemed his pledge to do just this in 1977-78, also depriving television of any chance to point the financial finger at the poor relation.

But in the boardroom big-money league, some of the privates were playing the power and profit game on a scale that made SPTV's "Radio Waves" look like small beer.

The big three of private dome, Hauraki, Windy and Avon indulged in a three-way power play that left the Wellington station sandwiched in the middle.

Financial whizzkids, Bidwell and Friedlander brought big business into Hauraki just as founder David Gapes simultaneously made his exit.

The eventual result: strict staffing economies, programmer Graeme Parsonage, ex-Avon, a million dollar turnover and quarter-million-dollar profits, plus slim ratings lead, to delight the shareholders.

Next move, south, to ailing Windy, whose Upper Hutt dominated board and controversial station manager Barrie Swift were at odds. Enter Bidwell and Friedlander, under their Aqua Securities alias, and exit Swift.

A capital injection of some $30,000 plus, bolstered Windy's slim hopes of eventually returning dividends, acrimonious shareholders' meeting, amid rumours of Kerry Packer's Australian TV money behind the Aucklanders.

By the end of Windy's October financial year, the station finally had new-blood management from Australia, Rob McKay (no relation to the would-be Christchurch operator) and a hard-nosed programming policy akin to the Hauraki-Avon model.

In the south, the Aqua semi-takeover of Windy brought Avon opposition, with the Cantabrians conscious of Aqua inroads into its own shareholding.

All hell broke loose in private radio solidarity, even though Avon's last-ditch bid, at Windy annual meeting and before the tribunal, to block the deal failed.

For Avon, the Aqua buy-in had delicious spin-off value. On the stock exchange the rush to buy pushed the station's share price up to dizzying levels and Avon declared a 35 per cent dividend to set a record for any New Zealand public company in payout to shareholders.

All the same whatever impression internecine horse-trading in private ranks left with the public, it didn't dent ratings.

Avon still held the best part of its 50 per cent share of the five-station Christchurch market; in Auckland Hauraki edged out traditional leader 1ZB by a mere 1 per cent; in Dunedin and Hamilton the privates also took slender first-ever leads temporarily.

For RNZ's Whitehead, there are danger signs, with a ZB control over the nationwide ratings in some jeopardy.

RNZ's response has been to play the privates' own game, offering lucrative contracts to lure away top announcing talent from privates. Stations in Hamilton, Rotorua and Tauranga shared in this boom, but the big flutter was reserved for the three biggest centres.

On television there is a major spending campaign for the three ZM stations, with the concentration on 2ZM to defuse Windy's bid for clear No 2 place behind 2ZB.

With a major three-city advertising campaign, format changes, decentralised control and new voices, the revamp may have similar significance in the other two centres.

In Auckland 1ZM is being given more guns to carry on its time-honoured role of stealing a few per cent off the private competition to keep 1ZB in front.

In Christchurch, the three-centre change now disguises the failure of 3ZM's one-year transformation into Radio Nova, the "beautiful music" alternative that fared even worse than the old model ZM.

Here the ZM gamble is even more desperate; RNZ has been under considerable pressure to relinquish station 3ZM altogether.

But retrenchment in service, as against cutbacks in costs and staffing, are not in Whitehead's thinking.

Healthy competition is obviously the order of the day, for both public and private sectors. The only frightening shadows were political.

Perhaps the privates, initially backed by RNZ until it saw the danger signs, were too greedy, wanting to change the advertising rules to get some liquor commercials.

But, even given the political popularity of current catch-cries to pillory drinking drivers, Broadcasting Minister Hugh Templeton's heavy handedness in reversing the duly appointed rules committee's decision by Order-in-Council was an ominous portent.

Tribunals, free markets and competition notwithstanding, when it comes to any crunch there's still no doubting who really calls the play.

Television's tumble may be the year radio gets its own back. In this context, however, read state radio.

For 1979 looks like being the year in which RNZ director-general Geoff Whitehead gets installed officially as Ian Cross's golden-haired boy.

At the same time as Cross was announcing plans for "Television New Zealand" —

HUGH TEMPLETON . . . reverses committee's decision.

in effect dismantling Television One and South Pacific Television — he was giving RNZ a free hand.

In fact, the major talking point in radio circles so far this year has been the rush of blood to RNZ's head and the ensuing rush of warrant applications to the Broadcasting Tribunal.

On the other side of the fence, the Independent Broadcasters Association, only a year ago quietly rejoicing at the unbounded opportunities the re-opening of private radio applications could give the non-state sector, is now worrying itself sick at an almost certain encirclement campaign waged by RNZ.

On the surface, Radio New Zealand's requests look modest enough.

They can be broken down into a number of categories:

- Applications to extend the Comnet (ZB) network's broadcasting hours from midnight to 5 a.m. and the three ZMs similarly, thus giving all the state commercial stations 24-hour operation, like the privates.
- Applications for local breakouts on existing repeaters in places such as Kaitaia, Kaikohe, Hawera, Turangi, Alexandra and Queenstown.
- Applications for new National (YA) programme repeater stations in New Plymouth and Taupo.
- Applications for new "mini-stations" in Gore and Levin, similar to those just authorised in Ashburton and Oamaru, with local programming in the morning and then relayed programmes from neighbouring 2ZA Palmerston North and 4ZA Invercargill respectively.

(The Gore application has one slight variation — at nights this station would link with the YCs to bring the concert programme to Southland, similar to 2ZK Hastings.)

All part of RNZ's commendable urge to give smaller country areas a minimal local service all of their very local own — except when certain other considerations are taken into account.

The first and most important in the overall view is the dwindling number of AM broadcast frequencies still unallocated. Every new station RNZ puts in gobbles up another one of these that could be open for a private contender in that region of the country.

This is all the more wasteful when it is realised that all the new stations RNZ proposes will for the major part of the day be linking in to either the National or Comnet programme, and in one case, the Concert programme.

So for the vast bulk of the day all state radio is proposing, is to bring listeners another spot on the dial to tune into 2YA, 2ZB or 2YC.

The second factor is a game played out on slightly different terms in each area of the country — the checkmate ploy aimed at stalling private radio aspirations. For instance:

- Taupo's proposed YA repeater, allowing 1ZA to free itself from its present responsibility to carry YA programmes part of the day. This follows the successful holiday-time entry of 1XL, a short-term commercial station run by Ceefor Communications, a group of enthusiasts largely drawn from graduates of student radio stations.

This operation cleaned up in the resort in January and RNZ obviously wants to close the frequency off from any permanent private contender.

- The provision of local breakouts in the Central Otago ZB-YA repeaters, 4YW and 4YQ. This followed an application from Dunedin's Radio Otago to open up the hinterland for private radio.

The private application was closely modelled on Radio Avon's unsuccessful bid to set up a regional service for the east coast region between Christchurch and Dunedin.

Both Central Otago cases have been heard and now await tribunal decision.

Radio Otago envisaged linked stations in Alexandra, Cromwell and Queenstown, originating from the various townships in peak advertising periods but taking far more of the 4XO Dunedin programme, off-peak, that Avon planned for the bigger Timaru-Oamaru-Ashburton station.

RNZ's argument for breakouts on its existing repeaters is in direct competition as the applications foreshadow a second pair of repeaters, solely YA-YC, for the two resort towns and then a repeater in Wanaka.

While such intense bidding for a mere handful of listeners in Central Otago may look like shadow boxing, the ultimate lure is, right-in-the-middle, new Cromwell, soon to be a bustling hydro town.

- Levin, where the objective is clear-cut, especially now the Manawatu Radio Company has applied for a private station in Palmerston North, a mere stone's throw away. These two applications have also just been heard.

A second commercial outlet in the vicinity could enable RNZ to soak up surplus peak-hour advertising in the greater Manawatu region, close off a frequency and dash the private applicant's chances. Again tribunal decision is pending.

With private radio stations in the four main centres and Hamilton, the biggest area without outside competition for RNZ was Napier-Hastings. RNZ, however, closed that option when it put in 2ZK, a second commercial station masquerading as a YC outlet (only at nights though).

- Next biggest market: The Manawatu. A similar ploy, except that RNZ doesn't seem to have had the wit to see the YC night-time option for its Levin station so it could cynically claim it is doing Manawatu people a real favour.

After the Manawatu, Southland offers the next biggest market for private radio to cast an eye toward.

What better than to give a second RNZ commercial station to the area — all the more ludicrous as the proposal calls for the Gore transmitter to be sited right next to the two Invercargill stations at Dacre, midway between the two centres.

Of the whole batch, the proposed YA repeater in New Plymouth looks the nearest to being altruistic. But it fills up a frequency on a "just in case" basis, assuming that natural gas bonanzas continue swelling the population and prosperity of the Taranaki area. All this, of course, ascribes the basest of motives to RNZ and Whitehead.

Both Cross and Whitehead have practically admitted that they are in the business of attacking the privates head-on on any battlefield of their choosing.

The privates cry foul — they suspect that the capital outlay for all this is being diverted from television, as part of the financial cheeseparing of that medium.

However, the outlay is probably small enough, and even the tiny revenue returns are sufficient to justify the shoestring costs the expansion plans will incur. The one capital asset Whitehead has to play around with in relative abundance is manpower, and some relocations will ease criticism of concentrated staff featherbedding in main centres.

And if Whitehead is to be given his head, then Cross is a wise enough man to realise that now is the time, coinciding with the gamble he is taking with television revenues in his latest "carve up — put together" operation there.

The revamping of television is sure to unsettle the advertising market and frighten away some of the smaller retailers that South Pacific, in particular, has been trying to attract on the local levels.

The more outlets RNZ has open to catch the crumbs, at the minimal capital outlay, the happier Cross especially will be.

For their part, the private stations have already shown that the gloves are off, especially over what they complain is RNZ's ploy of "warming up" areas it has ambitions toward with short-term "special occasion" stations.

Levin's "family arts festival" temporary station recently was fought right to the Supreme Court on procedural points and the IBA is obviously poised to spike RNZ's similar plans for a Gore station for the "Golden Guitars" shearing festival there.

In Auckland, the big event was the recent launching of the first new private commercial station since the boom days of the early 1970s.

Gordon Dryden's Radio Pacific hit the South Auckland airwaves amid its maestro's characteristic ballyhoo and a torrent of words, words and more words. Audiences, however were few in spite of initial sales achieved in advance, especially by sportscaster Tim Bickerstaff, and hopes of a downward spiral for a disoriented 1XI (Radio I), caught in the middle.

IAN CROSS . . . practically admits readiness to attack privates head-on.

With Dryden's newspaper-publishing venture bleeding

Continued on Page 13

NATIONWIDE RADIO AUDIENCES, 1978

(2,460,800 10 years +)

(Average audience in thousands; percentage in brackets)

	ALL	COMNET	ZMS	PRIVATE	NATIONAL	CONCERT
4—6am	40(100)	19(47)	—	9(24)	12(29)	—
6—9am	809(100)	429(53)	35(4)	190(23)	144(18)	11(1)
9am—4pm	480(100)	255(53)	30(6)	124(26)	69(14)	2(1)
12—2pm	431(100)	227(53)	29(7)	104(24)	70(16)	1(—)
4—7pm	361(100)	178(49)	21(6)	93(26)	59(16)	10(3)
7pm—midnight	167(100)	71(43)	11(7)	47(28)	30(18)	8(4)
Midnight—4am	18(100	—	—	9(51)	9(49)	—
6am 7pm	527(100)	277(53)	29(5)	131(25)	84(16)	6(1)
6am Midnight	427(100)	220(52)	24(6)	108(25)	69(16)	6(1)

AUCKLAND RADIO AUDIENCES

(670,000, 10 years +)

	Feb 76	June 76	Oct/Nov 76	Mar 77	Sept/Oct 77	Mar/Ap 78	May/July 78	Aug/Sept 78
All station average					15.3	14.9	16.9	17.1
1ZB	32	33	33	32	30	31	34	31
1XA	19	19	20	25	25	30	32	32
1ZM	17	17	17	17	15	12	10	10
1XI	13	15	13	10	15	13	12	12
1YA	14	13	14	13	13	13	12	11
1YC	4	2	2	3	2	2	2	1

BREAKFAST SESSION, SEPT. 1978

Station	Audience	Percentage
All	220,000	100
1ZB	88,000	40
1ZM	16,000	7
1XA	65,000	29
1XI	18,000	8
1YA	30,000	14
1YC	300	1

WAIKATO RADIO AUDIENCES

(157,600, 10 years +)

	Feb 76	June 76	Sept/Oct 77	Mar/Ap 78	May/July 78	Aug/Sept. 78
All station average			17	17	17	18.7
1ZH	42	42	39	38	32	45
1XW	38	39	41	43	46	38
1YW	10	12	12	10	13	10
1YA	4	4	6	5	6	4

BREAKFAST SESSION, SEPT. 1978

Station	Audience	Percentage
All	58,500	100
1ZH	25,100	43
1XW	22,000	38
1YW	7,900	14
1YA	2,400	4
Others	1,100	2

WELLINGTON RADIO AUDIENCES

(295,300, 10 years +)

	Feb 76	June 76	Oct/Nov 77	Mar 77	Sept/Oct 77	Mar/Ap 78	May July 78	Aug/Sept 78
All station average	16	16	16	16	16	16	16.6	[illegible]
2ZB	34	37	39	37	38	34	41	[illegible]
2XW	22	22	20	17	17	17	18	[illegible]
2ZM	19	20	22	24	20	22	19	[illegible]
2YA	19	20	17	17	22	24	18	18
2YC	6	3	2	4	2	3	3	3

BREAKFAST SESSION, SEPT. 1978

Station	Audience	Percentage
All	96,000	100
2ZB	42,000	44
2ZM	13,000	13
2XW	15,000	16
2YA	23,000	24
2YC	3,000	3

CHRISTCHURCH RADIO AUDIENCES

(293,000, 10 years +)

	Feb 76	June 76	Oct/Nov 76	Mar 77	Sept/Oct 77	Mar/Ap 78	May/July 78	Sept/Oct 78
All station average	17	16	17	18	18	16	17	[illegible]
3XA	44	49	42	54	53	52	47	[illegible]
3ZB	30	24	34	23	28	26	28	[illegible]
3YA	15	16	16	13	14	16	18	[illegible]
3ZM	6	8	7	7	4	4	5	[illegible]
3YC	4	1	2	2	1	1	2	1

BREAKFAST SESSION, SEPT. 1978

Station	Audience	Percentage
All	97,000	100
3ZB	29,000	30
3ZM	3,000	3
3XA	45,000	46
3YA	19,000	20
3YC	1,000	1

TV restructuring becomes national pastime

by Warren Mayne

In 1978, for the first time New Zealand had two channels, instead of one and a half. It may have been temporary, but at least it was a gamble.

It proved however, just too difficult to convince advertisers and even viewers — so it failed totally.

At Avalon, the South Pacific Television boom brought about the year of the great resentment in Television One ranks.

New Broadcasting Corporation chairman, Cross's main thrust in the television arena was first the boosting of SPTV's stocks.

At issue, he reasoned last year, was up to half-a-million dollars of advertising the BCNZ could rake in simply by making the two channels more competitive with each other.

If ratings had in fact stabilised around the 50-50 mark for both channels, then major media buyers would have been forced to equalise their spending on both.

Cross's gamble was that this meant upwards on SPTV, with outlay on TV1 remaining steady.

It was the sort of ploy to play around the time of year agency budgets for the next 12 months are fixed, and a natural for a man who wanted to see the BCNZ build further on its $4.5m surplus to scotch once and for all the old political rows about broadcasting being a drain on the taxpayer in the years since the old-version NZBC was dismantled.

The ploy failed: A deficit of at least $300,000 will be recorded.

It could reinforce staff fears that BCNZ is but a minor juggling with letters NZBC. It was, altered, the older pre-1974 corporation that for years staved programme expansion in television in favour of maintaining operating surplus and building up capital reserves.

But Cross's 50-50 dream still fell far from reality. SPTV still only enjoys a 40 per cent share of the dual-channel area audiences, up to this February's survey.

The death blows for the rooky channel were the wide regional rating variations.

In Auckland on BCNZ ratings the gap is closest. At times it has been nearly neck-and-neck, but generally stabilised around 55-45 shares, TV1 ahead.

In Wellington and Dunedin, centres of TV1 production activity, the ratio kept nearer 70-30 against SPTV, bearing also in mind the part which rugged, hilly geography plays.

In the capital, for instance, effective SPTV translator coverage for fashionable inner-city hill suburbs was only achieved last September, with gaps still in the Hutt Valley.

Christchurch and Waikato ratings were generally in the 65-35 ratio, disappointing for SPTV considering the supposedly high regional input into its network from these centres.

Yet, one couldn't knock SPTV for not trying to sell commercial time. Even in the centres where it fares worst, it has assiduously mopped up retail advertising from provincial towns in the various coverage areas.

Its technical ability, denied to TV1, to break out Hamilton from the Auckland region has paid special dividends, especially since it decided to service the populous Hawke's Bay region from this point.

To boost advertiser confidence the channel had to boost viewer confidence and in one area it is doing so.

No longer is TV1 regarded as the "official, national channel," the one that has totally unchallenged rights to carry all the major events of national significance.

That means rugby tests and big sporting festivals — perhaps, at a pinch, even general elections fall into this category.

Election night coverage was split evenly, SPTV won replay rights on satellite telecasts of the All Black tour and it even got live satellite priority on rugby league tests across the Tasman and the Wimbledon tennis finals, capping this with the England-Wales test, which it ironically shared with TV1.

The past year of course, has seen a considerable expansion of SPTV coverage into the provinces, edging the channel's reach from three quarters of the population to something approaching 90 per cent.

In some cases this extended coverage is somewhat notional as some centres have only "basic" interim coverage. This means that outside aerials are a must in borderline areas, some of them surprisingly central.

Indifferent picture quality deters more viewers than SPTV likes to admit from persevering with its transmission. This explained the channel's tie-in to a major multi-media advertising campaign with two servicing firms, advocating proper aerial installation.

Cross at first just tinkered with programming — after of course, his behind the scenes advice to SPTV to lessen the more crassly objectionable Australian-style elements introduced to its programming to win audiences at any cost.

The sacrifice — basically a case of giving J K Galbraith and early Roman emperors as much consideration in the planning schedule as Starsky, Hutch and Wonder Woman — was initially worth it for SPTV.

With all revenue from licences, both channels and radio more or less on tap in a central pool, the halfway-together-again BCNZ tried to juggle finances in a way impossible under separate organisations.

While the old Broadcasting Council set up by Labour could adjust the percentage each, then independent corporation got from the licence fees, this raised jealousies among the three (too often aired in public).

At budget-setting time at the end of 1977, Cross was able to push through a major reallocation of programme production funds, pegging TV1 at its old levels (without taking inflation into account) and freeing more funds for SPTV.

For the only time the new network was freed from a direct relationship between its own lesser income and its outgoings.

The results on screen were probably not that immediately obvious to the viewer, unless he specifically analyses them. In fact, though, the main effect last year was a sizeable boost in the proportion of SPTV prime time given over to local production.

In bread and butter terms this has meant an upsurge in current affairs coverage in prime time and extended newscasts, exceeding in duration the time devoted to TV1.

This could have put the channel back in the mainstream of credibility — an important psychological boost.

Service to minorities, a non-revenue-bearing area, is there, but well out of prime time on SPTV—one of the fundamental differences in programming philosophy between it and the more professionally public-minded Avalon.

But Cross was at first heartened by the far greater entrepreneurial attitude of SPTV, even to the point of making claims in public for its greater innovation that were overblown enough to justifiably pique TV1.

Its drama productions have been consciously designed to recoup costs in overseas sales, its foray into entrepreneurial sport such as its international track series and "Superstar"-style formats have spurred new interest from the public, without even taking multi-million-dollar telethons into account.

All this temporarily cheered Cross, along with such accidental innovation as the shoestring success of the Christchurch "A Week of it".

Still for the reckoning, of course, is the cost and associated grey areas of the overblown "Castaways" series, minute for minute and excess for excess every bit the expensive equal of TV1's "Governor".

(Both projects, however, are legacies of earlier expensively expansive decisions in the halcyon days of independence).

There was one bigger reckoning on the financial horizon, however, that in the end spelled doom for the separate channel.

While the Avalon complex and TV1 are interchangeable concepts, SPTV was still behind the screens, a collection of hand-me-down converted pre-war radio studios in Auckland, Christchurch and even Hamilton.

The imminent loss in 1980 of the to-be-demolished, converted Civic Teletheatre in Christchurch was the first warning signal.

The present set-up is difficult enough with the scattered Auckland head office, overcrowded production facilities and Christchurch also severely limited, without even considering the logistic strains . two-centre split operations impose.

SPTV's answer was Tahk Farm, an all-in-one proposed complex on the North Shore.

The think-big Aucklanders didn't realise that neither the taxpayer nor Cross would wear a second Avalon, while the chairman airily talked of limited television facilities in centres such as Napier, or Palmerston North, maybe even Invercargill, as well as keeping Christchurch alive.

The only way the problem could be eased was by ending the present TV1 Wellington-Dunedin, SPTV Auckland-Christchurch-Hamilton axes and pooling production in all centres for the two networks.

But while shooting for a bigger nest egg from commercial operations in this and subsequent financial years,

Continued on Page 6

WAIKATO TV AUDIENCES
(284,000, 10 years +)

	July 77	Oct 77	Feb 78	Ap 78	July 78	Oct 78
Average number of hours watching TV	19.5	18	17.5	21.2	21.8	18.4
Average audience 6–10pm commercial nights percentage TV1	28	28	25	31	33	28
TV2	21	15	15	21	20	18
Average audience both channels 6–10pm	47.1	43.2	38.6	48.7	51.7	44.1
Average percentage share 6-10pm TV1	57	69	64	62	62	61
TV2	43	31	36	38	38	39

Reception percentage: TV1 92.1 good, 6.3 tolerable; TV2 89.5 good, 8.9 tolerable

WELLINGTON TV AUDIENCES
(284,000, 10 years +)

	July 77	Oct 77	Feb 78	Ap 78	July 78	Oct 78
Average number of hours watching TV	20.6	8	16.3	19.4	20.3	18.2
Average audience 6–10pm commercial nights percentage TV1	31	29	27	31	34	31
TV2	16	13	11	16	15	15
Average audience both channels 6–10pm	46	43	38.3	46	48.7	43.4
Average percentage share 6 10pm TV1	67	73	71	67	69	69
TV2	33	27	29	33	31	31

Reception percentage: TV1 87.2 good, 9.6 tolerable, 2 nil; TV2 76.4 good, 16.4 tolerable, 6 nil

CHRISTCHURCH AUDIENCES
(279,000 10 years +)

	July 77	Oct 77	Feb 78	Ap 78	July 78	Oct 78
Average number of hours watching TV	20.6	17.5	16	20.3	21.4	18.8
Average audience 6–10pm commercial nights percentage TV1	29	26	22	29	31	26
TV2	19	17	15	21	20	19
Average audience both channels 6–10pm	47.3	42.7	36.4	49	50.1	43.3
Average percentage share 6–10pm TV1	60	65	62	59	61	57
TV2	40	35	38	41	39	43

Reception percentage: TV1 88.9 good, 6.9 tolerable; TV2 81.2 good, 13.7 tolerable

DUNEDIN TV AUDIENCES
(98,000 10 years +)

	July 77	Oct 77	Feb 78	Ap 78	July 78	Oct 78
Average number of hours watching TV	20.1	17.8	16.9	19.1	21.5	18.7
Average audience 6 – 10pm commercial nights percentage TV1	31	27	27	31	36	30
TV2	15	12	12	14	15	12
Average audience both channels 6 – 10pm	45.1	40.3	37.7	44.4	49.8	42
Average percentage share 6 – 10pm TV1	67	73	71	70	70	71
TV2	33	27	29	30	30	29

Reception percentage: TV1 90.4 good, 6.5 tolerable; TV2 79.3 good, 11.8 tolerable, 6.6 nil

NEW ZEALAND TV AUDIENCES
(2,437,000 10 years +)

	Aug 77	Oct 77	Feb 78	Ap 78	July 78	Oct 78
Average number of hours watching TV	20.2	17.9	17	21.2	21.8	19.1
Average audience 6 – 10pm commercial nights percentage TV1	32	29	27	31	34	30
TV2	16	14	12	17	18	16
Average audience both channels 6 – 10pm	47.3	43.5	39.1	46.7	50.8	44.4
Average percentage share 6 – 10pm TV1	67	71	69	67	66	66
TV2	33	29	31	33	34	34

AUCKLAND TV AUDIENCE
(620,000 10 years +)

	July 77	Oct 77	Feb 78	Ap 78	July 78	Oct 78
Average number of hours watching TV	20.3	18	17	18.9	20.5	17.4
Average audience 6 – 10pm commercial nights percentage TV1	26	23	22	25	28	23
TV2	24	20	19	22	23	21
Average audience both channels 6 – 10pm	45.4	41.3	39.2	46.7	48.9	42.3
Average audience both channels 6 – 10pm TV1	51	58	54	55	55	52
TV2	49	42	46	46	45	48

Reception percentage: TV1 93.4 good, 6.8 tolerable; TV2 91.6 good, 7.3 tolerable

Continued from Page 5

Cross knew he had some big decisions in principle to make early in 1979.

He had to find a way for television to afford another capital expenditure boom in straightened times, in the wake of the expansion eras that successively spawned Avalon, colour TV and then a second channel.

And there are still those people on the West Coast, in the King Country and in Central Otago struggling along without "The Club Show".

Jobs up for grabs, third-channel pipe dreams in the air, revenue estimates hanging on the Prime Minister's next mischievous word — that's what Ian Cross's "Television New Zealand" restructuring has left so far in its wake.

The chairman lifted the wraps of secrecy on February 14 off the Saint Valentine's Day television system massacre. It had a marked likeness to World War I.

This is, says chairman Cross, to be the restructuring to end all restructurings. At least, in part, he has learned the lesson of 1918: He's promising no more than 20 odd years of peace.

It doesn't look as if either Cross or his bemused underlings will get even that. The flak they were copping over costs and declining returns before February 14 were really nothing compared with the nationwide clobbering and close scrutiny television has opened itself to since.

Before, it was just the Dominion and a surprisingly persistent finance editor Terry Hall, with some obviously well-placed friends, bothering Cross, with the unwelcome revelation of SPTV's $6 million-plus shortfall on its revenue predictions.

Since the restructuring, (which we'll call for brevity's sake "TV-NZ"), the pressure is on with a vengeance — from outside, as against the 1976 uproar which was an explosion from within staff ranks.

Cross's decision has merely drawn public attention closer to the deficiencies of the service. Value for money has become a fixation in the public's mind — and it is slowly seeping out how little reward the viewer got in programming from the system, or in financial terms, from SPTV.

In this never-never situation a disbelief has developed in Cross compromises — the suggestion that options can be switched from "TV-NZ1" to "TV-NZ2" willy-nilly, with fewer commercials on both.

The public has unconsciously taken the scheme further than Cross will admit and is almost automatically expecting a BBC1-BBC2, one commercial, the other not solution. It could be that advertisers are thinking a little that way, too.

NZ DUAL CHANNEL TV AUDIENCES

(2,144,000, 10 years +)

	Oct 77	Feb 78	Ap 78	July 78	Oct 78
Average number of hours watching TV	18.3	16.9	19.8	21.4	18.5
Average audience 6 - 10 pm commercial nights percentage					
TV1	26	24	29	32	27
TV2	16	15	20	19	18
Average audience both channels 6 – 10pm	42.6	38.1	47	50.3	43.4
Average percentage share 6 – 10pm					
TV1	66	63	62	63	60
TV2	34	37	38	37	40

MAURICE URLICH . . . wheeler dealer.

In the wake of this feeling comes Cross's admission that a third channel, certainly privately run, is a mid-1980s sure thing. Even five years away, that sort of certainty in Cross's mind is a giveaway that he realises that what will eventuate from his "TV-NZ" is one commercial channel instead of the present two, even if he spreads the advertising load over both channels in half a measure each.

As a consequence, the print medium giants were preening their respective television production subsidiaries — (INL's Concept Video and NZ News's Vid-Com) — for any coming opportunity.

The spate of fevered denials from the newspaper moguls could indicate their long-term interest — an interest fueled by circulation and advertising fall-offs in metropolitan newspapers, and stoked further by the gadfly semi-suggestions floated by the Prime Minister, even if these didn't entice the fevered enthusiasm he was angling for.

But the history of the restructuring in itself is fascinating, if only for the furtive, secretive and almost devious lead-up to it all.

The 1976 recreation of the old NZBC with its initials transposed into BCNZ was a compromise preserving the cosmetic trappings of Labour's separate, competing corporations.

As an operational concept it was a nonsense as two years soon proved.

Two television services competing without the incentive to succeed on their own and the knowledge they were individually accountable, further demoralised by Cross's tinkering to-and-fro with their individual finances, soon reaped the adverse consequences of the change.

SPTV, buoyed along on subsidies virtually out of TV1's revenue, became profligate and casual.

Towering above all others inside the executive structure was programme controller Kevan Moore, with unerringly the reverse-Midas touch, watching almost every programming ploy he tried crumble under him in the ratings.

Sales and marketing controller Maurice Urlich, a master of promotional razamatazz and wheeling and dealing, found out that playing a Selwyn Toogood "money or the bag" trade-away game on advertising sale eventually led to depleted schedules where the trade-aways became giveaways for appearance's sake on screen.

Cross's anticipated overall revenue increases, budgeted mainly from SPTV as its coverage area increased, didn't come as fast as the costs spiralled — and certainly didn't match Urlich's "telling half the story" self-praising advertisements which trumpeted his department's alleged sales success.

Even in the areas of SPTV's success, its frail management expertise was on the point of being eroded when drama mastermind John McRae and telethon maestro Don Hutchings packed their bags.

Even under the autocratic, often unfathomable direction of programme controller, Des Monaghan, with some incredibly muddled decision-making immediately below him, TV1 still staggered along, selling itself to the public and advertisers as dependable.

With such an unbalanced spread of executive strengths across the two channels' hierarchies, Cross, increasingly assuming a "super-director-general" role, should have been forced to some personnel reshuffle.

But there was Cross the man — no Ron Jarden with a "hands off those who earn their keep" attitude to the broadcasters. The BCNZ's second chairman is an amicable sham-liberal with genuinely catholic, but cultivated tastes.

Tarred across all this, however, is the intolerence of a Lord Reith to the public, sugar-iced with the shrewdness of a calculating operator placed in the insecure situation of an appointee who knows he has to perform — and to succeed if he is to protect a medium in which he sincerely believes from the hostile philistines of the Muldoon inner circle.

Cross watched the off-tilt competitiveness of the two channels degenerate into mock excesses at the expense of the viewer and slowly developed his utopian replacement. Then politics intervened.

The year after an election, it was time for Muldoon to settle his scores with the detested medium in the year of his lowest political vulnerability.

The "drastic options" were dictated to Broadcasting Minister Hugh Templeton — all the way through to closing down SPTV.

Faced with such a series of alternatives, Cross had to get it all together fast.

With Templeton's obvious sympathy, he secretly drafted the revamp — one that so closely intertwined the two channels in one interlocked organisation that they could become totally safeguarded from any Muldoon meddling that would undo the fine two-channel balance he had in mind.

And that, reading between the lines and all Cross's earnest denials, is obviously how "TV-NZ" was conceived. The birth itself was scheduled to follow some nine months later.

All this would have been cut and dried, had not Muldoon somewhat mischievously not raised the "drastic option" seemingly discarded for good, in his Truth column.

While the real significance of all the huffing and puffing about the fate of SPTV can be judged by a follow-up remark in a later Evening Post interview that it was not feasible to get rid of TV1 there was one unexpected fish hook.

Among the options was the raising of the licence fee — the salvation Cross had petitioned for and expected a thumbs-up on within weeks.

In Truth, Muldoon said decision of the options had to be faced up to later this year. Translation: The only feasible option, the raising of the licence fee, has been deferred until late in the year, probably some six months later than Cross had been bargaining for.

DES MONAGHAN . . . unfathomable direction.

Politically it makes sense. Electricity, milk, butter, eggs and petrol prices have just gone up, the next few months will probably see further price rises and the Government knows well that disgruntled television viewers treat a licence fee rise as a symbolic imposition on them far outweighing its financial bite.

But it doesn't help Cross. For one thing, to launch his magnum opus, he has to get the final reports of nine working parties, who are sorting out the nuts and bolts that will make the revamped "TV-NZ" work. One of these working parties is dealing with finance. But what finance committee can produce any budget without a clear estimate of its income?

In short, Muldoon has Cross over a barrel. The chairman who prides himself on being able to distance himself from politics may well be agonising what sort of contra-deal the Government wants in return for a prompt decision on the licence fee.

A resolution of the reorganisation is top priority for Cross. For one thing advertisers want to know the shape of the new two-channel programming mix — and how much extra it will cost.

Any extra delays between systems may be the deathblow for SPTV's advertising, if confidence in its future role cripples its peak time burrow.

An advertiser turn-off from SPTV in the critical August period could wipe out all the savings Cross is promising for the first year of his streamlined new-look.

Organisationally, it seems Cross is playing safe by entrusting all the programming and selling for the two channels to the expertise of the present Avalon-TV1 organisation. In these areas SPTV's hierarchy has been found lamentably wanting.

But over the past couple of years, the initial drive at TV1 in creating a range of new homegrown productions manifestly bigger and better than the old discredited NZBC's gutless efforts, has faltered badly.

Aside from the continuing mundane "Close to Home," a couple of inherited favourites from the NZBC and the up-and-down earnestness of news and current affairs, Avalon's creative impetus has putt-putted to a stop-go halt.

SPTV's record has been one of extreme flair and utter crassness in equal measure but it is probably inevitable that control of local production should devolve to Auckland as part of the in-house quid pro quo.

Continued on Page 15

Six-track, multi-screen, torchlight tattoo competitive submissions drain ad agencies

by Leslie Underwood

WHY do advertisers change their advertising agencies? What are the factors that prompt their decision to do so and are they valid? Marketing consultant Leslie Underwood looks at both sides of the fence and uncovers some hidden truths on the competitive submission game.

AS director of sales, you have been called to a special meeting of top brass to look at "The continuing decline in our market share" — or so the first item on the agenda paper states.

You've been slogging at this problem for over a year now, without affecting the steady slope downwards one iota.

You've pulled in two men from the New Plymouth and Rotorua territories — the sorriest non-producing areas on the graph — and replaced them with two new fired-up men. But the best that can be said is the extraction rate from these two territories is sliding down now with less momentum than the average.

But doesn't that prove something? Doesn't it mean that the fault doesn't lie with the travellers?

This could be a good argument with the board, to steer them from the sales department — your main area of responsibility.

The next thing is to get yourself out of the line of fire and what better way than to point an indicting finger in another direction. The agency. Their ho-hum efforts are the reason for your company's problems.

The board will buy that argument. Only last week someone was saying they hadn't seen many suggestions for advertising from the agency lately.

So you've just got time to get a short list of agencies typed out before the meeting.

Isn't that — or something like it — how it often happens.

This change of agency business, as an anodyne to many internal ills that the change can never cure?

Of course there are agencies that deserve sacking. There are a few who should never be in the business at all.

But of the others, their greatest crime often is the lack of courage to risk the account and take a stand on what they believe to be right.

So our sales director goes to his fateful meeting and comes out half an hour later with a clear mandate from the board to change agencies.

He looks at the short list of names he tabled at the meeting. Now there's more time, he had better check them out.

He knows many people who will give him their ideas on these agencies. So he asks around.

Having done what he mentally called his homework, he feels prepared for his next step, to write to all three agencies on his list and ask for "submissions". At the same time he writes to the incumbent agency, telling them of their fate.

In writing, he realises this will cost these agencies something to put their presentations together. So, having first checked with the board who ratified his suggestion, he says he is prepared to pay $500 in each case towards the costs of their presentations.

This would be woefully short of the cost of the most meagre presentation. But advertisers who learn of the true costs of presentations to agencies are always startled and surprised.

They could be anything from $2500 to $5000 — or even $10,000, if all the stops are pulled out to snare the big one.

This is a cost eventually borne by the advertisers as established clients, through charges built to cover past and future presentations to gain further accounts for the agency.

Presentations, being an established trade practice and therefore an operating expense, must be covered and those agencies who don't realise this quickly, go out of business.

So our sales manager, with some of his board, visits each agency in turn and sits through three separate competitive presentations, not realising that there is virtually no relationship between an agency's presentation and its ability to produce effective advertising for his product — once they have gained the account.

The agency's presentation is built to win the account so the six-track sound equipment carrying the sting and emotional load of a torch light tattoo plus the mix of film and six-frame stills leave the client deafened and bemused but oh, so impressed by this show of technical expertise.

It doesn't occur to him that the presentation room in the agency is called "the theatre". Why this involvement with "theatre" unless it's showmanship they want to show the client?

So everything presented is exciting whereas the thoughtful, sales-generating advertising produced by an agency in the secure atmosphere of an established client relationship has none of the exciting material shown at competitive submissions.

Inevitably, on appointment of the new agency, the presentation ads are scrapped and the agency starts again. But even then, the penny doesn't drop.

What the sales director should keep well to the fore in his mind is whether he really needs a change of agency or a change of dealing with the agency.

Has his agency been brought gradually to its knees with such devices as sending back ads again and again for alterations, believing that this keeps them on their toes, whereas the real reason is to satisfy personal idiosyncrasies or plain bloody-mindedness?

Good advertising is a two-way thing. O.R. Casson, the head of a much sought-after overseas agency, said years ago: "Producing good advertising is a very difficult business but the first requirement to paraphrase Mrs Beaton is, get yourself a good client."

Next, if the sales director honestly and impartially is convinced that a new agency is required, he should make certain that the man or woman who will be responsible for his account is compatible with himself as a personality. A person not too young who, therefore, has a well-rounded experience in the field and one, preferably, who has a stake in his agency.

This person is less likely to flit away to another job just when he or she has done the investigative ground-work on your market.

Then ask around, certainly, but bear in mind that any comments from their existing

clients of a campaign failure does not necessarily exclude an agency from the short list. It could mean that they're really trying hard but were on new and unestablished grounds at the time.

Finally, a plea for abolishing this abortive practice of competitive submissions. It is the height of ignominy to the agency's professionalism and useless as a yardstick to the client, apart from being damned expensive to the industry.

The better method of selecting a new agency would be to suggest a 12-month trial period with the agency that best survives all questions and probes. After all, you're buying an on-going rapport with another company — not the best efforts by John

Travolta and Olivia Newton John.

The agencies can't change the ground rules. It must be the advertisers themselves.

As the managing director of one agency said on my questioning the extent of "theatre" used in presentations: "Well, we're an agency, and the client expects some showmanship".

But, the real reason, realised or not, is that experience has shown this to be the most effective way, under the present system, to win new business.

Instant print brings press to the clients

by Hugh Rennie

THERE is a tendency to view the printing industry from a "little black box" perspective. People know what goes in one end and they are all too familiar with what comes out the other, but what goes on inside is a complete and absolute mystery.

The industry itself has not helped to dispel the mystery. The man on the street still probably thinks of a printer as someone wearing a green eyeshade, poring over wooden type and finally hand rolling a huge cylinder over the type.

The arrival of the instant printer on many street corners has undoubtedly done much to change this age old concept of printing but unfortunately the apparent intricacies of the modern day small offset press still leave the average print consumer with only a very vague idea of what is actually being done.

Instant print is a phenomenon of our time and today is recognised as one of the major growth areas. It came from modern technology's adaptation of offset lithography to the office duplicating machine. With offset lithography the standard of reproduction has been lifted to a standard acceptable to the customer. Essentially, however, the customer of instant print is one whose demand for immediate delivery is paramount and whose work is simple enough or whose standards do not require the quality offered by the traditional printer. The growth factor for this sector of the industry has averaged 30 per cent annually in recent years.

From the simple upgrading of a duplicating and photocopying service instant printers are now offering such additional services as design creation with multi-colour printing and typesetting.

As an adjunct of the growth in technology which has enabled the instant printer to flourish, the ease of operation of the modern small offset press has resulted in another growth sector — the in house, consumer printer. With the demand for more and more specialised forms, the increasing demands for instant service, and the lower levels of capital investment needed to set up an in house printing department, more and more companies are now supplying a substantial part of their own printing requirements. In the main, however, in house printing departments supply only the basics and it is only in the very large corporations that a full-scale printing department is considered viable. Some of the Government corporations have in house printing departments that rank among the largest printing facilities in the country.

Within the traditional printing sector, the trend is toward an increasing degree of automation. The major areas of development are in the support systems surrounding the printing press itself. With the sheet fed offset press it is generally conceded the output speeds have reached their maximum for the current levels of technology. Modern consumer requirements dictate ever decreasing run quantities and it is essential that a modern press reduce non-productive time to an absolute minimum.

A significant part of this development has been directed to the pre press preparation. Gone are the days of the hot metal slugs of type being cast and then laboriously assembled into printing forms ready for the machine. Today the copy is keyed on a photo-type setter, proof-read and corrected on a visual display screen and recorded on a memory-type medium. This medium may be plastic disc, magnetic tape or paper tape. From here it is fed to a processing unit which converts the copy on to film for transfer to a plate that is ready for the printing press.

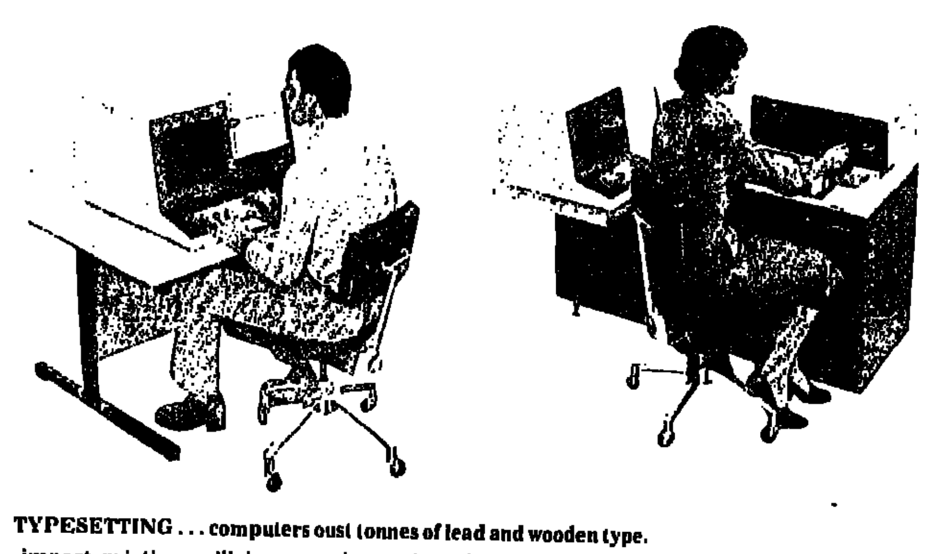
A further extension of the modern print consumer's requirements is the ever increasing demand for colour. Colour reproduction today is the work of electronic scanners. These scanners reduce a series of colour transparencies to the basic colours necessary for transferring on to plates for reproduction. Primarily the tool of the photo engraving industry, these scanners have become so sophisticated that they are increasingly likely to be operated by consortia rather than individual concerns.

These trends apply in the sheet fed area of the printing industry which is more and more the short run area of consumer demand. The long run end of the market is increasingly geared to the reel fed print operation. Newspapers and form production continuous stationery for example, are already involved in this method of production but it is only now that reel fed is making its appearance in the commercial sector. Reel fed offset presses are also in the packaging industry to a very minor degree. The high output and the large capital investment are the chief deterrents in a market the size of New Zealand.

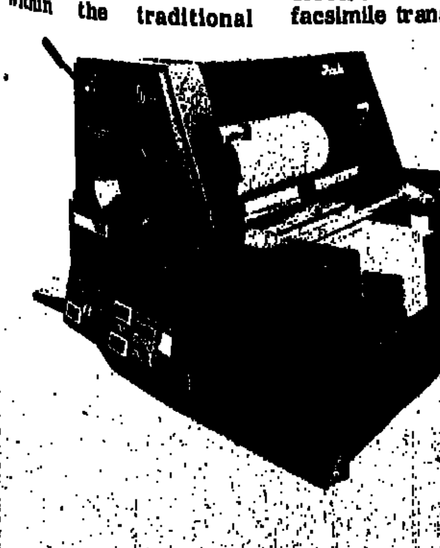
In brief, the current trends in the graphic arts industry are:

- There is a very positive shift to source producers in the composition and copy preparation sector of the industry. Book publishers, advertising agencies, design studios and instant printeries will all install composition and copy preparation equipment.
- New imaging systems — electrostatic electronic facsimile transmission non impact printing—will have an increasing influence on the instant print sector of the market.
- Direct selling catalogues are examples of new and changing markets for print.
- Increasing costs of existing distribution channels and improving efficiency of new alternative means of data transmission—the micro imaging cathode ray tube.
- In plant printing will continue to grow. As technologies develop the need for traditional craft diminishes.
- Other technologies will continue to influence the industry. Computers and lasers making plates; radiation curing of inks will change equipment.
- Investment in new technology will slow. Printing is a low profit industry and this will slow investment in new plant. With slowing sales, the investment capital will not be available for research and development.
- There will be an increased development in the conservation of energy materials and waste.
There will be increasing emphasis in management techniques. Equipment utilisation, labour involvement, labour training, productivity, become of greater importance.

Finally, printers will become more and more specialised. It will become important for the customer to identify the ability of the printer to fulfill his needs. As technology becomes an increasingly important part of the print process the old crafts will diminish and quality standards will become more uniform—but the industry will be capable of providing anything the client wishes.



TYPESETTING . . . computers oust tonnes of lead and wooden type.



Radio shoulders papers out of hard news arena

by Hugh Rennie

It is remarkable tribute to the newspaper's survival that, every day and every week, quite literally millions of voluntary decisions are made to purchase a newspaper and (as the research shows) to read it. Every week sees the sale of almost five million copies of our 10 largest daily papers and over one million copies of our main weekly newspapers and local weekly magazines.

While such an endorsement would suggest a very strong satisfaction with New Zealand's newspapers, the true picture is not so simple.

A variety of factors, including the late growth of radio and television advertising and New Zealand's rather slow internal communications, have kept local dailies alive longer than might be expected. In newspapers, while the bad does not exactly drive out the good, the larger paper does overwhelm the small. This is partly due to the reader's understandable preference for a paper which offers the largest possible choice of reading matter, and also because the base costs of a newspaper are high and the marginal cost of extra copies very small.

A number of signs suggest a long-predicted change in the provincial areas is now gradually coming. Such 10,000-plus centres as Tokoroa or Taupo, which might have been expected to develop small local dailies, have strong bi-weeklies instead. Whakatane's Beacon tried a shift to five-day production three years back, but found local readers preferred their local news three days a week. Westport's News has only kept up daily production through a massive local effort sustained by feelings of local isolation. Now in Hawera the Star has abandoned daily production and opted for free distribution, local news only, and publication three times a week.

A number of future changes can be seen in this change. The first is the likelihood of a continual shift to metropolitan dailies, strong in their home centres and through the provinces in the mornings, with provincial dailies complementing this role in the evenings, and centres below about 25,000 supporting a local paper appearing two or three times a week.

Supporters of the idea that there should be a diverse and competitive press may not welcome such a prospect, but the New Zealand market seems increasingly unwilling to support more than one paper in each town. In the last 15 years three provincial dailies died in two-paper towns, and those that remain in New Plymouth and Wanganui use common ownership and a sharing of resources to sustain them.

It is perhaps ironic that at a time when the radio market has come to accept the fragmentation of audiences between different radio stations, the daily press is still stuck with the numbers game and the pursuit of mass audiences. Part of the explanation of this is to be found in the dependence of daily newspapers on large retail advertisers for much of their revenue. Such advertisers still find the large daily audience more attractive than the split radio audiences, though some are now using television and also 'shoppers' delivered to householders in pursuit of the same large readership.

The newspaper certainly has an ability to convey large quantities of detailed information, reliably, at a low cost, and to hold that information available in a storeable form for when the reader wants it. In business, however, the recording and communication of such information has increasingly become the role of the computer, and it remains to be seen how well the daily newspaper can adjust to this change.

On the one hand, the newspaper will be able to do something which no computer can — sift, analyse, select and interpret a range of information using subjective techniques of evaluation which only the human mind can use. The newspaper can then present features which will guide people in their ideas.

This new role is not new to the advertising industry, which notably uses print advertising in this fashion. But as in so many instances (typographic design, forms of expression, production techniques) the advertising industry is far ahead of the newspaper industry.

There is historical logic in a Press Association news service which distributed to papers and left matters of comment and interpretation to them. Now, however it is arguably more important for newspapers to share the second than the first. The prime communicator of hard factual news has become radio, and to a lesser extent, television. The purpose of the newspaper has changed.

With this change of purpose, the importance of daily production has faded. Production techniques which were developed to enable very rapid circulation of news now hamstring the expression of less urgent articles. A notable feature of the past few years has been the growth of weekly and monthly publications which, in the reader's mind, do not become so rapidly 'out of date'. Research shows that in many cases the time spent reading these latter publications, in proportion to their total size, is much greater than that spent on any single issue of a daily newspaper.

Some specialised publications have also grown up to concentrate on aspects of their content — farm news, for example, and also some sports and the sharemarket. But every attempt to create anything resembling a women's newspaper has so far failed. In that area at least it seems that if a woman is to be taken from her daily paper, it must be by something with greater mystique than another *newsprint publication.*

Trade journal survival demands more than grey stuff between ads

by Hugh Rennie

In the trade magazine field, statistics are entirely confusing.

The number of publications would suggest a greater overall strength of the market than is really the case. A number of the publications are showing the same signs of ill-health which marked earlier deaths — late or combined issues often being the first signs of illness.

At the same time, the death of a number of publications over the last 18 months, and a marked lack of new projects, conceals the fact that many trade magazines are bigger and better than they have ever been.

For a trade magazine to survive in New Zealand, it needs several elements in its make up. Firstly, it needs to serve a market which is distinctively different to that which is found overseas. If this is not the case, then the local trade or industry will naturally turn to overseas publications for both news and advertising information.

Next, the market needs to be sufficiently large and diverse to support a large number of readers and a relatively large number of firms servicing those readers. If the reader numbers are small, then calls by salesmen, direct mail letters, and regional display promotions are more useful to persons selling in that market.

Likewise, if the number of suppliers is small, they will prefer to fund their own promotions, using letters, brochures, or even in-house magazines.

A further factor is the suitability of alternative media. Thus, in some cases, the general business press may reach as many buyers. For some markets with a very large number of buyers, the daily press, magazines, radio or television may show a cost advantage.

In the past, none of these factors necessarily stopped attempts to launch trade magazines in unpromising areas. For a time, the status of having a publication was an essential part of the image of any national trade or professional association.

Now it is realised that the imagined status is just that — imaginary. The trade publishing industry has split into two distinct groups, with those who fit neither role gradually fading to extinction.

In the first group, publications are produced by professional publishing organisations as private ventures. In this group, the advertising demand is sufficiently strong to sustain the production of a journal. In particular, in the agricultural and medical fields substantial fortnightly or monthly publications exist. Similar development can be expected for publications serving a large readership with a need for relatively large quantities of specialised information — accountants and lawyers for example.

In the second group, this need for information still exists, but the advertising support for it is not sufficient to sustain the costs of production.

Where the demand by readers is particularly strong, a high subscription can be set to cover costs. The extreme case of this is the newsletter type of service, and other examples are tender listings and current construction cost details in the building industry.

Where demand by readers is at a lower level, the pressure for a publication usually comes from a central organisation with a need to send information to firms in the market, and possibly also with a need to stimulate communications in the general interests of the industry.

It was this last type of situation which was exploited by various publishers in the 1960s and early 1970s. Advertisers were dragged in by using their industry position and at least implied pressure from the national trade association, while a subsidy was usually secured from the trade association as well.

Most of the publications to die in the last two years have died because there was no real need for them, and such sales techniques had finally collapsed. A few survive — as a few always will as a tribute to the skill of advertising space salesmen.

New, however, a new standard of trade journalism is required. The editorial content must be more than the grey stuff between the advertisements. It is this emphasis on quality which has broken up the old trade publishing houses — except Trade Publications which always emphasised quality editorial content.

There is no doubt at all that a trade magazine which has editorial content worth reading and a market worth serving can live and grow in New Zealand.

Imported words hog large share of magazine market

by Hugh Rennie

The great majority of New Zealanders read two or three magazines a week, and many read considerably more. But while this indicates a strong public demand, the local product is facing a mixed future.

The same readership figures that show a high demand, show that overseas magazines form a very large part of local reading.

An exact picture is impossible to obtain, since in New Zealand the difference in roles between weekly newspapers and magazines is somewhat blurred — with local papers often carrying material obtained from overseas magazines.

In many cases, the figures for reading of imports are of little practical marketing interest, for advertising to New Zealand audiences through such magazines as the Australian Women's Weekly or the National Geographic is not possible. The apparent answer to this problem — local editions of overseas magazines — has been successful for Readers Digest but has mixed results in the weeklies like Time and Newsweek and was a total failure for Life (New Zealand).

Television has made the Listener the same mass market success as other magazines overseas; but a certain flair in content and immaculate production standards have also greatly strengthened it. The Listener has the country's largest ever weekly sale and largest ever readership.

Static in sales but solidly in second place is the New Zealand Women's Weekly — and this is in some ways the more impressive achievement in the face of strong overseas competition especially from Australian magazines.

Apart from the "Weekly", the major New Zealand press groups have either avoided or abandoned the mass market field, and have also avoided any attack on the larger segments of it — such as home and garden magazines, men's magazines in the modern style, or magazines aimed at the younger age group.

After the Readers Digest, the next largest sales are magazines connected with national organisations, such as the AA magazines Auto Age and Motor World and the Consumer magazine.

The New Zealander's strong appetite for reading comes through however in the hundreds of special interest magazines, sustained by a combination of local information and local advertising support. Practically every hobby and sport has one or more magazines — and the gaps are almost always due to the effect on the market of imported magazines.

Most of these cannot afford newsstand distribution, and are of interest in marketing terms only to those closely connected with the magazine's particular market. But, if the current overseas trend to growth in special-interest magazines occurs here, there is clearly a base on which to build.

With rises in paper, print, staff and distribution costs, the economics of magazine production have discouraged new ventures. Yet the history of magazines has always been much more varied than that of daily newspapers — all of New Zealand's major magazines are less than 60 years-old, all of our daily papers are older.

Even in today's market, the capital risks in launching a magazine are less, and the capital needs lower, than most film or television projects. It seems reasonable to predict one or two major attacks on the more obvious market gaps as soon as any spirit of economic confidence returns.

The flourishing of newsletters should finally be noted. These currently flourish in more than a dozen fields, including trade, government, economics, agriculture, property and political fields. They are a reminder of one reason for the demise of many local magazines — the failure to put plain hard news and well-edited material between the advertisements. A newer breed of journalists, with the skills but without finance to launch magazines, have chosen newsletters as a low-capital solution.

Newsletters are a reminder that, especially in this area of publishing, it is not format but content that counts. Magazines face the toughest test of consumer choice of any media — newspaper, radio, television, or magazine. The message is not that magazines have died — but that those which remain are in strong demand.

PR proved underfire: emerges as tougher and sharper business tool

by Grev Wiggs

HOW has public relations survived the bruising and bashing that business has taken over the last few testing years?

Those who previously had held the opinion that PR belongs to the cosmetic fringe services, affordable only in good times, will have a rude awakening. PR has been proved in the fire and has emerged as a tougher sharper weapon of business.

In times of adversity, the many-faceted public is looking for a whipping boy. Close down a factory, discontinue a service or operation, dispense with manpower, increase prices, sell out or merge — and any business or industry can become an overnight scapegoat. But if its PR consultant has had the opportunity to anticipate the event, to plan and prepare a programme for public acceptance, then at worst the attack will have been blunted and at best may never take place.

Unconnected with the economy, the growing voice of the environmental lobby has inhibited the freedom of industrialists to do what they choose and encouraged them to scrutinise more intensively the results of possible action and present a reasoned and persuasive case to support their plans.

All of this has meant a growing demand for the services of public relations consultants.

Hugh Sumpter of Hugh Sumpter and Associates, widely regarded as the doyen of the New Zealand industry, puts it simply. "PR has come of age," he says. "We were once used in a fire brigade role, to put out the conflagration and dampen down the flames. Now we could better be described as fire prevention officers. We are in the management mix at board level so that we can advise on the likely outcome of decisions and devise strategy accordingly. As a result of this understanding of our role, enlightened companies are spending more on public relations activities than ever before."

Grant Common, managing-director of Network, a PR company which operates in Auckland, Christchurch and Wellington and has recently opened an office in Los Angeles, sees significant new departures and greater involvement in areas such as marketing which were not previously regarded as the province of the PR consultant.

Robin Clulee is managing director of Eric White Associates (Wellington, Auckland, Christchurch), which is the New Zealand trading name for Hill Knowlton Group, a company which rates on fees income as the largest PR firm in the world. "The change which has come," he says, "is in the great growth in professionalism. Clients are demanding, and getting, higher standards of service. Along with this has gone a greater degree of accountability and a greater use of and proficiency in technical aids and resources, such as research."

Even though there is still a lingering requirement on the part of a few clients to gauge success or failure by measuring the volume of press clippings and timing cassettes of recorded broadcast items, this attitude has largely disappeared where PR has been accepted as a management tool. "We have to judge results empirically at times," says Clulee, "because in relation to the size and the benefit to be obtained from the job, before and after attitude testing, for example, would be far too expensive."

"Less and less these days are we concerned with servicing the news media," Sumpter says. "And we never have concentrated on press publicity as such."

In which new directions, then, is the PR business heading? These two national organisations and the Wellington-based Sumpter company, interviewed independently, provide answers which are largely similar.

"Each consultancy will have a different emphasis, probably, but we already have established our new spheres of growth," observes Common. "We are experiencing a terrific expansion in the marketing area and have established substantial billings from marketing orientated corporations. Multi-national organisations expect this type of involvement from a PR firm

ROBIN CLULEE . . . growth in professionalism.

and this is evident in Auckland particularly, where we regularly attend marketing meetings of international firms. Our work includes trouble-shooting and such assignments as identifying specialised markets for products and building a promotional package around a marketing proposition. It's promotional PR, in fact."

Common explains that in UK public relations consultants worked chiefly in the corporate area and in the USA were more involved in product promotion. New Zealand practitioners tended to straddle both territories.

If that is so, Hugh Sumpter tends to conform more to the British style. "Very little product pushing," he affirms, "though building a climate of acceptance for a product is part of the PR proposition. We

GRANT COMMON . . . marketing opens as function.

are concerned with corporate issues in the main."

Eric White Associates regard marketing as one of the growth areas, though it is not a new function. Marketing publicity and support is a specialist area and clients are looking for greater specialist talents in this and other facets of PR.

Common considered that the increasing complexity of the investment scene encouraged the adoption of medium and long term communication strategies. Takeovers, mergers, new stock exchange regulations meant an increasing need to communicate with shareholders.

Clulee identifies financial PR as another responsive field and this view is well shared. Increased competition for finance, explains Sumpter, has focussed attention on the need for improved communication to investors. Financial journalists were more numerous and active. PR could bring an objective viewpoint to bear on new projects and circumvent problems by anticipating them. It was a matter of producing a planned programme, carefully timed.

Although PR consultants have always regarded employee relations as one of their areas of interest, there is no doubt that there has been a considerable expansion of activity in this direction. "It's a job of basic communication but it must be on a continuing basis," emphasises Common. "Today staff are much more aware of their working environment which includes not only their workplace but their employer's attitudes and policies. A company's best opportunity to build favourable public relations is with its staff."

"Staff communication is of growing concern in a social context," Sumpter reports. "When a factory closes down or is sold, the effects are widespread and it is not only the workers who are concerned but their families and the whole immediate community. These days decisions affecting staff are referred to the PR advisers before any action is taken."

"Government relations" is a polite term for Government lobbying and increasingly this aspect of the public relations operation is growing in volume as well as respectability. But it is in an area where consultants prefer to leave their successes unattributed.

Consultants appear to be gearing up for growth in the export area. "New Zealand firms must flex their muscles and get involved overseas. So we have a responsibility to be involved, too," declares Common. "For this reason we have just established an office in Los Angeles."

Sumpter's organisation is the New Zealand shareholder in an international group which operates in 40 different countries. "In an export operation we will do all the back-grounding and we will set the climate for a client's entry in a new market but for on the spot action we will work through an associate because we can achieve greater local involvement this way."

Eric White's have a similar policy, being able to work through their 36 offices and 40 associates around the world.

An interesting by-product of the new shape that PR is taking is the increasing affinity between the consultant and the advertising agency. The one time arm's length relationship with mutual overtones of suspicion born of overlapping responsibilities has been replaced with a give and take affinity. The new deal involves both in a joint relationship sharing experience and information.

Perhaps the next step may be — as envisaged by Clulee — the development of a consortium in which advertising agency, management consultant, research house and PR consultant will combine their advisory functions to give the client concerted and orchestrated management and marketing advice.

Continued from Page 3

the Auckland Star, its proprietors, NZ News, were rumoured to be toying with idle ideas of buying in to 1XI. The chances of this look slim, under precedents set by the tribunal and its pre-1972 predecessor about newspaper interests in radio.

Radio Hauraki see-sawed with IZB in the ratings, but hit the bottom of the Trade and Industry Department's hit parade, with profits too rosy to be accepted. That matter is still proceeding, acrimoniously, as is Hauraki's case against the BCNZ audience research section over a shock survey reverse.

In Wellington, Radio Windy is progressing, but the ratings are only just starting to convince its audience and its shareholders fully; in Hamilton and Dunedin the private operators performed well enough; Christchurch remains an unassailable bonanza for Radio Avon.

In all the mad struggle for position the biggest short-term losers look like being the minority groups that saw the reopening of radio options as their passport to the airwaves.

In Christchurch, Radio Rhema held perilously on to its tiny toehold at the vanguard of a prayed-for network of Christian stations, while the university student groups battled on to get some form of permanent arrangement for getting on the air when they wanted to.

In Wanganui, a community group is marshalling its forces for a local non-commercial access station, abetted by RNZ as part of its master-plan for the Manawatu.

Even RNZ got into the act, hitching up its Wellington standby station, 2YB, with an Auckland temporary station as a short-term version of the scrapped Radio Polynesia, and then started negotiations with community and local body groups in Wellington on vague notions of using 2YB as a regional access station, with similar plans later for Auckland.

But the real solution to the overfilling of the radio spectrum and the under-response to the real needs of listeners undoubtedly lies in the elusive FM band.

And in a Government pigeonhole, languishes a report recommending an RNZ and private commercial simultaneous debut into this new area of radio broadcasting — with the access groups likely to be left lagging in the rear.

This, however, awaits economic upturns and the capacity of the manufacturers to meet the demand for FM sets. In the meantime, the race is on to see how many times 2ZB, 2YA and 2YC can multiply themselves across the dial.

One of our major strengths is the development of clearly defined positioning strategies. The current Austin Princess campaign is an example.

Mackay King's Eight Major Clients

Client	Products/Services
Europa Oil NZ Limited	Corporate, Petroleum Products, General Promotion.
ICI New Zealand Limited	Pharmaceuticals, Ethical Drugs, Resins, Dyestuffs, Perspex.
Lenthéric Morny Cyclax	Lenthéric Fragrances - Tweed, Tramp, Just Musk, Amber. Morny - Soaps, Talcs etc. Cyclax — All Cosmetic Products, Skin Care Treatments, Colour (Lips, Nails, Eyes), Facial Make-up, Fragrances, Export.
Lion Breweries Limited	Beer Division: Waikato, Bass, Bavarian, Speights, Steinlager, Lion Breweries Sport. Corporate Division (part) Hotels Division: Lion Inns, Taverns, Special Projects, Cobb & Co., Establishment Group of Hotels, Dandylion Bottle Shops, Wholesale Cellars.
The National Bank of New Zealand Limited	Banking Services, Staff Recruitment.
New Zealand Motor Corporation	Austin/Morris Corporate, Austin Princess, Austin Allegro, Morris Marina, Light Commercial Vehicles, Rover SD1, Mini, Leyland Trucks, Leyland Tractors, Land Rover, Leyland Buses.
Royal New Zealand Navy	Recruitment, Marine Charts.
Southern Bottlers Limited	Ballins Soft Drinks.

Phone Terry King

Mackay King

Mackay King Advertising Limited
Fourth Floor, Hope Gibbons Building, 7 Dixon Street, Wellington, New Zealand
P.O. Box 6540, Telephone 856-624.

Retail treats agencies to bread, butter and jam

by Grev Wiggs

NEW ZEALAND agencies are moving into the retail advertising field in search of new sources of revenue and profits.

Clemengers, one of the largest operators on the Australian advertising agency scene, is reputed to derive about half its revenue from retail advertising. And for years Australian agencies have found retail not only a source of bread and butter but often a provider of jam and cream. Why is it that New Zealand agencies, which for a long time regarded retail advertising as a little infra dig, are now strongly moving into it?

One answer is the commission structure. Australian press have always paid commission on retail advertising while here the NPA have steadfastly disallowed commission payments. That is not to say that commission is never paid. It is common knowledge that some papers, perhaps in response to competition from commission-granting electronic media, are prepared to bend the rules.

Big retail spenders are on retail rates which make no provision for an agency slice. The retailer has traditionally been considered local business, available to the paper's advertising-department salesman, and regarded as the paper's prerogative. A well-known city daily advertising-manager, now deceased, used to say, "If we can't get the business ourselves, we don't want it". But the truth is that the major chain stores today, with six-figure budgets, are no less national in their market coverage than respected national advertisers.

There is a vast difference between the economics of the newspaper's advertising department servicing a retail account in every detail and receiving an agency-prepared advertisement in completed form. However, the case for commission, particularly on national retail, has been argued many times by agencies but as yet there is no sign of any bending of the NPA attitude. "Retail commission is constantly under review," is the official attitude.

Recently a degree of piquancy was added to the situation when, possibly in support of a claim for its agency's commission entitlement, Woolworths suspended the use of daily newspapers as an advertising vehicle in areas where it operated both variety stores and supermarkets.


PAT SMITH . . . overheads inspire retail chase.

In place of press advertising were three-colour 12-page household throwaways with issues of nearly 600,000 copies each. These were run during March in some areas, longer in others. Whether Woolworths is conducting a comparative cost study of circulars versus press, or merely serving notice that press is not the only print medium, or baffling its competition with a quick change of tactics, is a matter for conjecture.

Commission or not, there seems [illegible] increasing desire on the part of retailers to avail themselves of agency professionalism and with this has come a willingness to pay the kind of service fee that agencies require.

But the big commission breakthrough for agencies has come from the electronic media. Although commission policies vary widely between the two TV channels, Radio New Zealand and private radio, the upshot is that any agency placing major retail business will almost certainly receive commission.

TV1, for example, will not pay commission on retail unless contracts to a minimum value of $10,000 are offered by the agent. But excluded from this dictum are network contracts, so that any retailer operating nationally, such as food and variety chains, and advertising nationally, automatically becomes a commissionable account.

TV2 will pay commission on any business that comes from an agency. This derives from South Pacific's step-by-step establishment, which forced it to solicit retail business. Retail and now regional business is much more important to the TV2 advertising mix than to that of its competitor which is substantially concerned with national advertisers.

The future commission policy for the TV1-2 conglomerate is yet to be evaluated.

RNZ pays commission on national and regional contracts and excludes only the single station retail buy. Private radio pays commission on the lot.

So there is much to encourage the agency to examine carefully the ways in which electronic media may usefully be used in retail advertising.

Continued on Page 16

Continued from Page 7

There is one inherent danger in all this, going on the present differences in control inside each of the channels.

SPTV runs its Auckland-Christchurch axis with heads of each production department in the big city and production units in either Christchurch or shoestring Hamilton (now to be closed) dangling at the ends of strings pulled from Customs Street, Auckland.

In contrast, TV1 has left its Dunedin operations autonomous and has reaped the benefit of by far the greatest per capita output New Zealand television has seen.

If an SPTV organisation is adopted, there appears to be some basis in Avalon fears (and those in already neglected and resentful Christchurch and a fearful Dunedin), that the biggest production complex in the country will be reduced to a branch-office operation.

Also to be resolved, is where ultimate control of news and current affairs lies in the new structure? While always blessed with integrity and enterprise, SPTV's output in both areas has tended to be diffused by its Auckland-centrism.

If the bite of Avalon's earnestness in this sphere gets submerged, there will be no shortage of political snipers waiting to pounce on what could be construed as the slightest hint of a cave-in to Muldoon.

Finances aside, politics forgotten for the moment, too, perhaps chairman Cross wants to go down in broadcasting history as the man who stepfathered, if not actually sired the great indigenous Kiwi television industry that held up a mirror to our unique antipodean society.

A noble, if high-flown ideal. At this stage it doesn't look as if circumstances are 100 per cent, maybe not even 10 per cent, auspicious for this grand design.